Supreme Court, U.S.
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No. 01-

IN THE

Supreme Court of the United States

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Petitioner appealed a judgment of $7.1 million in compensatory damages and $20 million in punitive damages to the United States Court of Appeals for the Federal Circuit. The Federal Circuit vacated the judgment because compensatory damages were awarded on an improper basis. On remand, the district court reduced the compensatory damages to $520, and ruled that the punitive damages were unconstitutional under *BMW of North America, Inc.* v. *Gore*, 517 U.S. 559 (1996). Accordingly, the court then reduced the punitive damages award to $52,000. On appeal, the Federal Circuit held that the district court exceeded the prior appellate mandate by considering the constitutionality of the punitive damages in light of the dramatically reduced amount of compensatory damages, because the petitioner had failed on the first appeal to raise the hypothetical claim that the punitive damages award would be unconstitutional "if the compensatory damages award is lowered." Pet. App. 12a.

Question Presented: Whether the appellate mandate rule forecloses a district court from considering the constitutionality of a punitive damages award that is 38,000 times the new amount of compensatory damages awarded on remand, simply because the defendant did not raise a hypothetical constitutional challenge to the punitive damages award on the prior appeal.

PARTIES AND CORPORATE DISCLOSURE

There are no named parties other than those stated in the caption. Biomet, Inc. has no parent companies, subsidiaries (except wholly owned subsidiaries), or affiliates that have issued shares to the public.

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Petitioner Biomet, Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the court of appeals in this matter is reported at 236 F.3d 1342 (Fed. Cir. 2001). Appendix to the Petition for Certiorari ("Pet. App.") 1a-17a. The court of appeals order denying rehearing and rehearing en banc is not reported. Pet. App. 49a. Two unpublished opinions of the district court are included in the appendix. Pet. App. 18a-25a and 26a-32a. The opinion of the court of appeals on the first appeal in this matter is reported at 156 F.3d 1154 (Fed. Cir. 1998). Pet. App. 33a-48a.

JURISDICTION

The judgment of the court of appeals was entered on January 17, 2001, and the order denying rehearing and rehearing en banc was entered on March 28, 2001. On May 23, 2001, the Chief Justice extended the time for filing a petition to and including July 26, 2001. This Court has jurisdiction under 28 U.S.C. § 1254.

CONSTITUTIONAL PROVISION INVOLVED

This case involves the Due Process Clause of the Fifth Amendment to the United States Constitution, which provides that "[n]o person shall . . . be deprived of life, liberty, or property, without due process of law."

STATEMENT OF THE CASE

The United States Court of Appeals for the Federal Circuit in this case imposed a punitive damages award that is an astonishing 38,000 times greater than the amount of compensatory damages that it affirmed. The court held that petitioner Biomet, Inc. ("Biomet" or "petitioner") could not challenge a $20,000,000 punitive damages judgment after compensatory damages had been reduced from $7,134,000 to $520 on remand from an earlier appeal.

Notwithstanding the bedrock principle that claims of error that are contingent on future proceedings are not subsumed within a prior appellate mandate, *Sprague* v. *Ticonic National Bank*, 307 U.S. 161, 168 (1939), the Federal Circuit held that Biomet was obligated to raise in its earlier appeal (at pain of waiver of all future challenges) a hypothetical claim that the punitive damages award *might* be unconstitutional if compensatory damages were sufficiently reduced at some point in the future. It so held even though Biomet at that time had no reasonable basis for challenging the unconstitutionality of the punitive damages verdict as "grossly

excessive" under *BMW of North America, Inc.* v. *Gore*, 517 U.S. 559 (1996). At that time, the ratio of the punitive award to the compensatory award was then less than 3 to 1.

Not only is the decision below in conflict with decisions of this Court and other federal courts of appeals, as well as basic precepts of appellate procedure, but the untoward rule it creates will thwart the orderly development of appellate review of punitive damages awards. The importance of ensuring a fair process for imposing punitive damages is a matter this Court recently emphasized in *Cooper Industries, Inc.* v. *Leatherman Tool Group, Inc.*, 121 S. Ct. 1678 (2001). This Court should grant the petition to resolve the conflict of authority and to ensure that a fair and sensible judicial process is employed by federal courts to determine the constitutionality of punitive damages awards.

A. Factual Background

Biomet manufactures orthopedic medical devices, including reconstructive and fixation devices, and replacement systems for the hip and knee. Biomet has long worked closely with orthopedic surgeons in the development of its products. The topmost part of an artificial hip, which joins with the patient's hip socket, or acetabulum, is called an acetabular cup. Many acetabular cups are hemispherically shaped to match the general shape of the acetabulum.

In the mid-1980's, Biomet worked with two surgeons, Doctors Mallory and Head, to design a finned, hemispherically shaped acetabular cup that offers patients certain medical advantages. Biomet manufactured and marketed the Mallory-Head cup successfully because of the high quality of its products. No patent was ever sought for the Mallory-Head cup because the design was not substantially different from a number of older, similarly shaped cups.

In 1984, respondent Dr. Raymond G. Tronzo ("Tronzo" or "respondent") filed a patent application to an acetabular cup that ultimately issued as U.S. Patent No. 4,681,589 ("the '589

patent"). However, the '589 patent was directed to a finned cup that had a trapezoidal or conical shape, rather than the hemispherical shape of the Mallory-Head cup. It was not until March 1987, more than one year after Biomet had created brochures to market the Mallory-Head cup, that Tronzo filed a patent application in which he sought to cover a finned acetabular cup that could have a hemispherical shape. See *Tronzo* v. *Biomet, Inc.*, 950 F. Supp. 1149, 1150-52 (S.D. Fla. 1996), *aff'd in part, vacated in part, rev'd in part*, 156 F.3d 1154 (Fed. Cir. 1998). That patent ultimately issued in 1988 as U.S. Patent No. 4,743,262 ("the '262 patent").

B. Proceedings In The District Court

On April 25, 1991, Tronzo commenced suit against Biomet, Inc. in the United States District Court for the Southern District of Florida. Tronzo claimed that Biomet's manufacture and sale of the Mallory-Head Cup infringed his '262 patent, and also asserted state law claims of breach of a confidential relationship, fraud and unjust enrichment. Answering a special verdict form that asked whether the jury found damages for each individual claim, the jury found Biomet liable and rendered multimillion-dollar verdicts against Biomet on all claims.

Biomet filed motions for judgment as a matter of law ("JMOL") and a new trial on the patent claim. The district court denied both motions, and upheld the jury's verdict of $3,805,000 in compensatory damages. Because the jury had made a finding of willful infringement of the patent, the court enhanced the damages for patent infringement by 50 percent pursuant to 35 U.S.C. § 284, resulting in a $5,707,500 award for that claim. Pet. App. 37a.

On the state law claims, Biomet filed a motion for JMOL and also moved for a new trial, arguing as one basis that the compensatory and punitive awards were excessive in light of the evidence. The district court granted Biomet's motion for

JMOL, in part, dismissing with prejudice the claim for unjust enrichment, but the court denied Biomet's motion for a new trial. On damages, in order to avoid double recovery on the two remaining state law claims, the district court capped the total award at $7,134,000 in compensatory damages and $20,000,000 in punitive damages (which was the amount the jury awarded on the fraud claim). Consequently, the ratio of punitive damages to compensatory damages on the state law claims stood at 2.8 to 1.

C. Appeal In *Tronzo I*

Biomet appealed the judgment to the United States Court of Appeals for the Federal Circuit. In *Tronzo* v. *Biomet, Inc.*, 156 F.3d 1154 (Fed. Cir. 1998) ("*Tronzo I*"), the Federal Circuit reversed the finding of liability on the patent infringement claim. It held that certain claims in the '262 patent were not supported by the written description of the earlier '589 patent, and were thus invalid as anticipated by intervening prior art, and that certain other claims were not infringed under the doctrine of equivalents. Pet. App. 42a-43a.

On appeal in *Tronzo I*, Biomet vigorously contested the state law verdicts both as to liability and damages. The jury had found that Biomet fraudulently induced Tronzo to obtain patent protection for his implant with the promise of a royalty, and that Biomet had, in breach of its confidential relationship with Tronzo, disclosed to others certain confidential information it had received from Tronzo. Pet. App. 44a. Biomet argued that Tronzo had failed to establish the necessary elements of the state law causes of action, and challenged the amount of compensatory damages because the award was based on an impermissible legal theory.

Biomet had no reasonable basis in *Tronzo I* to raise a constitutional attack on the severity of the punitive damages award. If the evidence supported a judgment that Biomet had committed two independent, unlawful acts (including

intentional fraud) that together resulted in more than $7 million in compensatory damages to the plaintiff, Biomet could not reasonably argue that a 2.8 to 1 ratio of punitive damages was "grossly excessive" under *BMW of North America, Inc.* v. *Gore*, 517 U.S. 559 (1996).

Nonetheless, Biomet repeatedly, in both its initial and reply briefs, argued to the Federal Circuit that because compensatory damages and punitive damages were linked, the punitive damages award must fall if the court vacated the award of compensatory damages on either of the two state law claims. See Biomet Brief at 42 n.9, *Tronzo I*, 156 F.3d 1154 (Fed. Cir. 1998) ("If this Court finds that Biomet defrauded Dr. Tronzo, but that he did not prove damages, he can recover neither the compensatory damages award nor the punitive damages award."); *id.* at 45 n.10 ("Again, if this Court finds that Biomet breached a confidential relationship, but that Dr. Tronzo did not prove damages, he can recover neither the compensatory damages nor the punitive damages award."); Biomet Reply Brief at 23-24 n.16, *Tronzo I*, 156 F.3d 1154 (Fed. Cir. 1998) ("Instead, Biomet argued that the punitive damages awards fall automatically once the related compensatory awards fall. *See* Biomet Br. at 42 n.9, 45 n.10.").

In its decision in *Tronzo I*, the Federal Circuit held that the evidence before the jury was sufficient to sustain liability on the state law claims, but it vacated the award of damages. Pet. App. 44a-45a. Noting "that there must be some nexus between the damages claimed and the injury incurred," *id.* at 44a, the Federal Circuit held that the state-law damages award "d[id] not properly reflect Tronzo's actual injury." *Id.* at 45a. The Federal Circuit "note[d] that upon the record before us there is no evidence to prove any of the costs and injuries incurred by Tronzo, such as the costs of prosecuting the patent and lost business opportunities." *Id.* at 46a. Accordingly, the matter was remanded to the district court "to determine whether such evidence was presented, and if not,

whether in the district court's discretion it would be appropriate to take new evidence in this regard." The court of appeals issued the following mandate in *Tronzo I*:

> We affirm the district court's judgment of liability under the state law claims but vacate and remand for the district court to determine an appropriate award of damages in accordance with this opinion.

Id.

D. Remand Proceedings In The District Court

On remand, Tronzo filed a motion for judgment or new trial on punitive damages, and Biomet filed a motion for relief from judgment. The trial court vacated the judgment on the patent infringement claim, entered final judgment for Biomet on that claim, and lifted the injunction regarding the subject patent.

In an order dated April 26, 1999, the district court reduced the award of compensatory damages from $7.1 million to $520. The only evidence offered by the respondent in support of his claim for compensatory damages was the $520 respondent paid in order to obtain a patent. The district court noted that respondent had not submitted any evidence of lost business opportunities "to pursue relationships with companies *other than Biomet* and *other* means of bringing the acetabular cup to market." Pet. App. 28a. Although the Federal Circuit in its opinion expressly stated that the district court could take new evidence on the issue of damages, the district court "decline[d] to open the record and take new evidence," noting that "[b]oth parties in this case were represented by competent counsel who made strategic decisions throughout the course of protracted litigation and an extended trial. They have had a fair and full opportunity to develop the record, and it should be evaluated as it now stands." *Id.* at 30a. Lastly, the district court tentatively reinstated the original $20 million punitive damages award, but declined to enter final judgment to permit petitioner an

opportunity before that court to challenge the award on constitutional grounds. *Id.* at 31a.

In the wake of these orders, the ratio of punitive damages to compensatory damages had become $20 million to $520, or over 38,000 to 1. Accordingly, petitioner filed a motion to reduce the punitive damages as unconstitutionally excessive. In an August 25, 1999 order, the district court noted that Biomet's challenge could not have been made earlier:

> [T]he due process issue regarding the $20 million punitive award did not come into being until this court entered its order reducing the compensatory damage award to $520. Biomet could not have waived, and this court could not have considered, the excessiveness issue before the compensatory award was reduced."

Pet. App. 19a. The district court then evaluated the punitive damages award according to the guidelines set forth in *BMW*, 517 U.S. at 574-75, namely, the reprehensibility of petitioner's conduct, the relationship between the harm suffered and the punitive award, and a comparison of the punitive award with potential civil and criminal penalties in the instant and comparable cases.

The district court did not find sufficient evidence of reprehensibility in the record to warrant such a large punitive damages award. Pet. App. 22a.[1] As to the ratio of compensatory damages to punitive damages, the district court noted, "[a]lthough there is no bright line test establishing a proper ratio, without question the $20 million punitive award in this case does not bear a reasonable relationship to the $520 compensatory award and, therefore, it must be reduced." *Id.* Lastly, the district court examined civil punishments for violation of various state deceptive trade statutes, noting that the maximum authorized fines ranged from a fixed maximum

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[1] The district court held, for example, that the evidence "does not show, as plaintiff claims, that the patients were put at risk." Pet. App. 22a.

of $10,000 to triple the amount of compensatory damages. *Id.* at 22a-23a. Accordingly, the district court determined that the $20 million punitive damages award violated due process. In deciding what amount the punitive award should be, the district court said:

> In this case, the amount of compensatory damages does not adequately reflect the actual harm caused. Thus, a ratio greater than the [sic] Florida's typical 3 to 1 is appropriate. Upon consideration of the purposes of punitive damages, the substantial means of Biomet, and the three guideposts [discussed in *BMW*], giving the greatest weight to the reprehensibility of [petitioner's] conduct, the court concludes that the maximum amount of punitive damages the Constitution will permit in this case is $52,000, an amount equaling a ratio of 100 to 1.

Id. at 24a.

E. Appeal In *Tronzo II*

Respondent appealed to the Federal Circuit. On appeal, the court of appeals held that Biomet had waived its right to judicial consideration of the constitutionality of the size of the punitive damages award by failing to attack the amount of punitive damages in its initial appeal. Pet. App. 9a. Disregarding the broad language of its actual mandate, in which it vacated "damages" generally, see *supra* pp. 6-7, the Federal Circuit characterized its mandate as relating solely to compensatory damages. Indeed, the Federal Circuit pointed to language in *Tronzo I* discussing the absence of evidence in the record proving compensatory damages, see *supra* p. 6, and recast that language as the mandate, stating that in *Tronzo I* it had "remanded to the district court . . . to 'prove any of the costs and injuries incurred by [Dr.] Tronzo, such as the costs of prosecuting the patent and lost business opportunities,'" and to take new evidence on that issue in its discretion if no such evidence existed. *Id.* at 3a (alteration in original).

The Federal Circuit then held that the mandate rule precluded any consideration of any issue relating to the punitive damages award following its decision in *Tronzo I*. Rejecting Biomet's argument that its constitutional challenge to the punitive award had not become ripe until the compensatory award became fixed on remand, the Federal Circuit noted that a punitive damages award was part of the initial judgment and that the district court had addressed punitive damages in ruling on Biomet's post-trial motions. Pet. App. 11a. The court of appeals acknowledged that Biomet had never previously challenged the punitive award on *constitutional* grounds, but it held that Biomet "could have done so." *Id.* According to the Federal Circuit, a defendant must raise a hypothetical challenge on appeal: namely, a claim on appeal "that, *if* the compensatory damages award is lowered, constitutional requirements mandate that the punitive award be commensurately adjusted." *Id.* at 12a (emphasis added). By not raising the issue when the ratio of punitive damages was 2.8 to 1, and instead waiting until the ratio had become 38,000 to 1 on remand, "Biomet's belated attack on the punitive damages award was foreclosed by our mandate in *Tronzo I*." *Id.*

Recognizing that the mandate rule and the law-of-the-case doctrine do not absolutely bar the reconsideration of an issue, the Federal Circuit conceded that "it may be appropriate in some circumstances for a court to revisit an issue that would otherwise be deemed waived and beyond the scope of an appellate mandate. Such circumstances, however, must be exceptional." Pet. App. 12a. The only basis for an exception to the mandate rule that the court recognized, however, was whether "there has been a substantial change in the evidence." *Id.* at 13a.

The Federal Circuit declared that a reduction of compensatory damages from $7.1 million to $520 was not sufficiently substantial, and it did so on the basis of a truncated analysis of this Court's *BMW* decision: "True,

38,000 to 1 is a high ratio, and such a particularly high ratio will certainly 'raise a suspicious judicial eyebrow.' But the constitutionality of a punitive damages award is not simply a matter of numbers or ratios." Pet. App. 13a (citations omitted). The Federal Circuit never challenged the district court's conclusion that the only record evidence of compensatory damages was the $520 Tronzo paid to obtain a patent. Nonetheless, based on the district court's statement that the absence of record evidence on compensatory damages was due to the "'strategic decisions'" of Tronzo's counsel, the Federal Circuit concluded that "competent evidence of damages may have existed, but was never introduced." *Id.* at 14a. Because the ratio prong of *BMW* is the ratio of the punitive damages award to "actual and potential damages," 517 U.S. at 582 (emphasis in original omitted), the Federal Circuit proceeded to speculate that "there is a strong suggestion in the record that the potential compensatory damages *may have been* much higher than what was actually awarded." Pet. App. 14a (emphasis added). Therefore, based on its conjecture that there may have been evidence that was not in the record that would justify the 38,000 to 1 ratio, but which Tronzo *intentionally* refrained from introducing, the Federal Circuit reinstated the $20 million punitive damages award as permissible in light of the "exceptional circumstances" standard of review it applied. *Id.* at 15a.

REASON FOR GRANTING THE PETITION

The Federal Circuit's interpretation of the appellate mandate rule is squarely in conflict with the precedent of this Court and other courts of appeals. In *Sprague* v. *Ticonic National Bank*, 307 U.S. 161, 167-68 (1939), this Court, while declaring "indisputable" "the general proposition" that a district court is "bound to carry the mandate of the upper court into execution and [cannot] consider the questions which the mandate laid to rest," held that claims that are

contingent on a "final disposition" of proceedings on remand are not subject to the mandate rule. *Id.* at 168.

In *Sprague*, the district court had entered a decree discharging a lien against bonds held by the estate of a bankrupt bank, and the court of appeals affirmed the decree "'with costs'" and interest. *Id.* at 163. This Court granted certiorari solely to decide the question of the award of interest. *Id.* On remand, the district court rejected the plaintiff's bill for "equitable costs"—attorney's fees and litigation expenses, *id.*—as beyond the mandate of the Supreme Court, and the court of appeals affirmed. *Id.* at 164. On petition to this Court, the decisions of the lower courts were reversed. The Court ruled that the determination of costs was not precluded by the mandate rule because such costs "are contingent upon the exigencies of equitable litigation, the final disposition of which in its entire process including appeal places such a claim in much better perspective than it would have at an earlier stage." *Id.* at 168.

A punitive damages award, and the analysis of its constitutionality, is necessarily contingent upon the corresponding compensatory award, and thus also upon any retrial or redetermination of compensatory damages on remand. The Federal Circuit's analysis of punitive damages awards is contrary to precedents in this Court and the courts of appeals, and its holding that defendants must raise hypothetical "gross excessiveness" claims in the initial appeal clearly contradicts this Court's holding in *Sprague*, which carves such contingent matters out of the scope of the mandate. It also violates this Court's repeated admonition against judicial determination of hypothetical constitutional questions, creates needless disarray in the briefing of constitutional challenges under *BMW*, and frustrates the appellate review that this Court in *Cooper Industries, Inc.* v. *Leatherman Tool Group, Inc.*, 121 S. Ct. 1678 (2001), declared to be vital to the fair administration of punitive damages awards.

A. *Tronzo II* Conflicts With Courts Of Appeals Decisions Holding That An Award Of Punitive Damages Is Necessarily Contingent On A Final Determination Of Compensatory Damages.

The Federal Circuit held in *Tronzo II* that the excessiveness of an award of punitive damages that is not directly challenged on the first appeal is immune from reconsideration even when an award of compensatory damages is vacated and readjusted on remand. This holding is in direct conflict with the holdings of other courts of appeals. In *Tronzo I*, the Federal Circuit had instructed the district court on remand either to determine the amount of compensatory damages sustainable on the current record, or, in its discretion, "to take new evidence in this regard." Pet. App. 46a. The district court thus had the discretion to order a new jury trial on damages because, under the Seventh Amendment, the jury alone could award compensatory damages based on new evidence. See *Hetzel* v. *Prince William County, Va.*, 523 U.S. 208, 211 (1998). As a matter of law, moreover, the *Tronzo I* court could not have remanded for a possible partial new trial on compensatory damages alone "unless it clearly appear[ed] that the issue to be retried is so distinct and separable from the others that a new trial of it alone may be had without injustice." *Gasoline Prods. Co.* v. *Champlin Ref. Co.*, 283 U.S. 494, 500 (1931).

In viewing the punitive damages award as distinct and separable from the compensatory damages award, and precluding any further consideration of the punitive award even in the face of a significant lowering of the compensatory award, *Tronzo II* creates a conflict with decisions of other courts of appeals holding that the appropriateness of a punitive damages award is necessarily tied to the compensatory damages award.

In *Mason* v. *Texaco, Inc.*, 948 F.2d 1546 (10th Cir. 1991), the plaintiff brought a product liability claim against the defendant, seeking damages for personal injury and wrongful

death. After trial, the jury found for the plaintiff, but declined to award any punitive damages. The defendant appealed the judgment, arguing that the jury had received erroneous instructions, but the plaintiff did not appeal the trial court's decision not to grant a new trial on punitive damages. The Tenth Circuit reversed and remanded. On retrial, the jury again found for the plaintiff, this time awarding punitive damages. The defendant argued that by not appealing the initial denial of punitive damages, the plaintiff had waived the issue and the mandate rule barred any revisitation of that point. The Tenth Circuit disagreed. Contrary to the Federal Circuit's ruling in *Tronzo II*, the Tenth Circuit recognized the interrelation between compensatory and punitive awards, and held that "[a] punitive damage claim is not an independent cause of action or issue separate from the balance of a plaintiff's case." *Id.* at 1554. Thus, in *Mason* the Tenth Circuit squarely rejected the argument that the failure to challenge a prior ruling on punitive damages in the first appeal forecloses redetermination of punitive damages on remand.

Similarly, in *Burke* v. *Deere & Co.*, 6 F.3d 497 (8th Cir. 1993), the Eighth Circuit ruled that it was improper to separate punitive and compensatory damages, and to grant a remand for retrial limited to the former. Relying on this Court's precedents in *Pacific Mutual Life Insurance Co.* v. *Haslip*, 499 U.S. 1 (1990), and *TXO Production Corp.* v. *Alliance Resources Corp.*, 509 U.S. 443 (1993), the Eighth Circuit held that "the issues underlying compensatory and punitive damages awards are inextricably intertwined." *Burke*, 6 F.3d at 513.

The Fifth Circuit has also repeatedly held that a punitive damages award is not independent of a final determination of compensatory damages. In *Brown* v. *Kinney Shoe Corp.*, 237 F.3d 556 (5th Cir. 2001), the court vacated an award of punitive damages in remanding for a redetermination of compensatory damages on the basis of the lone viable legal

claim. The court held that "[a] new determination of the compensatory injuries that flow from the claim may fundamentally affect a jury's determination of emotional and punitive damages. Thus, all damages must be reconsidered." *Id.* at 567 (citation omitted). And in *Hardin* v. *Caterpillar, Inc.*, 227 F.3d 268, 272-73 (5th Cir. 2000), after finding error in an award of punitive damages, the Fifth Circuit gave the plaintiff a choice: she could keep the jury award she received and forgo any punitive damages, or she could have a retrial of the whole case, assuming the risk that at the second trial the jury may not find the defendant liable. Noting that "[m]any legal systems reflect this linkage of actual and punitive damages in locating caps for punitive awards," the court went on to say, "We are persuaded of the practical inseparability of the issues of intent, of damages for emotional injury, and of punitive damages . . . ." *Id.* at 272. Finally, in *Allison* v. *Citgo Petroleum Corp.*, 151 F.3d 402 (5th Cir. 1998), the Fifth Circuit upheld the denial of a class certification order in part because of the inseparability of determinations of compensatory and punitive damages awards. Citing *BMW*, the court held that "because punitive damages must be reasonably related . . . to the compensatory damages awarded to the plaintiffs, recovery of punitive damages must necessarily turn on the recovery of compensatory damages." *Id.* at 417-18 (citations omitted).

This Court's recent decision in *Cooper* confirms that, contrary to the Federal Circuit's approach, punitive damages awards are necessarily contingent upon compensatory awards. Underscoring the close relationship between punitive and compensatory damages, this Court noted that "compensatory damages and punitive damages are typically awarded at the same time by the same decisionmaker," although for different purposes. 121 S. Ct. at 1683. But the Court drew an important distinction between the two kinds of damages: "[u]nlike the measure of actual damages suffered, which presents a question of historical or predictive fact, the level of

punitive damages is not really a fact tried by the jury." *Id.* at 1686 (citation and internal quotation marks omitted). Thus, punitive damages cannot be treated simply as a finding of fact that should be considered a fixed part of the judgment if not challenged on the first appeal, as the Federal Circuit did here. Rather, punitive damages are "an expression of [the jury's] moral condemnation" of the defendant based on the jury's findings of fact. *Id.* at 1683, 1686 n.11. If some of the factual findings relevant to punitive damages are upset on appeal—such as the amount of legally cognizable harm that the plaintiff suffered—the punitive damages calculus necessarily changes. The jury here made its awards of punitive and compensatory damages in a ratio of 2.8 to 1. Neither the jury nor the district court in reducing the award determined that Biomet deserved a punishment 38,000 times that of the injury to Tronzo.

Thus, the *Tronzo II* decision is contrary to this Court's analysis in *Cooper* and the decisions of other courts of appeals recognizing that punitive awards are not independent of compensatory awards. It is all the more important for this Court to resolve this mature conflict among the circuits in this case, given the Federal Circuit's exclusive national jurisdiction in patent cases, see 28 U.S.C. § 1295(a)(1). The conflict between *Tronzo II* and the decisions of the Tenth, Eighth, and Fifth Circuits will sow confusion among the district courts of those circuits in resolving claims that legal error tainting a compensatory damages award also requires a redetermination of punitive damages.

The error of the *Tronzo II* rule is further evident when compared to the decisions on the appellate mandate rule in the analogous context of criminal sentencing. Cf. *Pacific Mut.*, 499 U.S. at 19 (punitive damages are "quasi-criminal" and equivalent to private fines levied to punish wrongdoing and deter similar wrongs in the future); *id.* at 54 (O'Connor, J., dissenting); *Cooper*, 121 S. Ct. at 1683 (noting comparability of rules applicable to criminal sentencing and punitive

damages). The general rule in criminal punishment is that, if a court of appeals vacates a sentence because of a specific error, the appellate mandate does not foreclose reconsideration of the sentence as a whole. See *United States* v. *Moored*, 38 F.3d 1419, 1423 (6th Cir. 1994); *United States* v. *Sanchez Solis*, 882 F.2d 693, 699 (2d Cir. 1989). Thus, in *Moored*, the Sixth Circuit vacated a sentence in part because it was based on an impermissible finding of loss that was caused by the criminal fraud. Although there was no remand to reconsider the loss issue, the district court on remand resentenced the defendant using a new basis for computing loss. On the second appeal, the Sixth Circuit rejected a claim that the district court had exceeded the scope of the appellate mandate, holding that "this court's interest in truth, justice and fair sentencing, requires that the district court's decision to reopen the loss issue be upheld." 38 F.3d at 1423; see also *United States* v. *Smith*, 116 F.3d 857, 859 (10th Cir. 1997) (no violation of the appellate mandate rule where the district court included a sentencing enhancement that had not been available prior to the vacation of the firearm conviction on the first appeal). The social interest in just punishment and the defendant's due process rights require that a punishment be final only when the predicates for punishment are fixed and settled. The same principle applies in the context of punitive awards in civil cases, and highlights the injustice to Biomet caused by the *Tronzo II* ruling.

In summary, punitive damages are contingent upon the final determination of compensatory damages, and thus as a matter of law cannot be within the scope of an appellate mandate remanding for a redetermination of compensatory damages. *Tronzo II*'s holding that punitive damages may be finally determined before compensatory damages are fixed is contrary to *Cooper* and the decisions of other courts of appeals, and its holding that the mandate rule forbids a district court from reconsidering punitive damages after compensatory damages have been altered on remand conflicts with

the rule of *Sprague*, which exempts issues contingent on further proceedings from the mandate rule.

B. The Constitutionality Of An Award Of Punitive Damages Is Necessarily Contingent Upon The Amount Of Compensatory Damages.

Just as an award of punitive damages is always contingent on the award of compensatory damages, this Court's decisions in *BMW* and *Cooper* make clear that the constitutionality of an award of punitive damages cannot be determined absent an analysis of the relationship between the punitive award and the compensatory award. In *BMW*, this Court established three guideposts to determine whether a punitive damages award violates constitutional principles of fairness: the degree of reprehensibility of the conduct, the disparity between the punitive award and the compensatory award, and the difference between the punitive damages and civil penalties available in comparable cases. *BMW of N. Am., Inc.* v. *Gore*, 517 U.S. 559, 574-75 (1996). Contrary to the Federal Circuit's analysis, see *supra* pp. 10-11, none of the guideposts is intended to be examined in isolation from the other two; each factor is to be taken into consideration and weighed against the others. In particular, when discussing the ratio guidepost, this Court emphasized that the constitutionality of a particular ratio depends on the reprehensibility of the conduct and the nature of the injury:

> [L]ow awards of compensatory damages may properly support a higher ratio than high compensatory awards, if, for example, a particularly egregious act has resulted in only a small amount of economic damages. A higher ratio may also be justified in cases in which the injury is hard to detect or the monetary value of noneconomic harm might have been difficult to determine.

BMW, 517 U.S. at 582. Whether a punitive award is acceptable necessarily depends on the nature and amount of the compensatory award.

Explicitly rejecting a mathematical formula or a bright-line test, this Court in *BMW* emphasized that the proper analysis is one that looks at the reasonableness of the relationship between the compensatory and punitive awards. *Id.* at 582-83. It follows that an analysis of the reasonableness of the relationship between the compensatory and punitive awards cannot be completed until the compensatory award has been fixed. Certainly the reasonableness of a $20 million punitive award is necessarily different when the compensatory award is $7 million, as opposed to when it is $520.

Given that "the relevant constitutional line" that distinguishes constitutional punitive awards from unconstitutional punitive awards is "'inherently imprecise,'" *Cooper*, 121 S. Ct. at 1684 (citing *United States* v. *Bajakajian*, 524 U.S. 321, 336 (1998)), and that there are three separate yet interdependent guideposts to determine the constitutionality of the award, the constitutional analysis shifts any time one of the predicate factors is altered materially. This Court underscored that very point in its recent decision in *Cooper* when it emphasized that the concept of gross excessiveness is a "'fluid concept[] that take[s] [its] substantive content from the particular contexts in which the standards are being assessed.'" *Id.* at 1685.

Thus, the existence of a constitutional violation is not black or white, and the question in *Tronzo*-type situations is not whether a defendant could have raised a constitutional claim in the first appeal. Because the existence of a constitutional violation is one of degree, the issue is whether there has been a change in one of the underlying predicates for determining the excessiveness of the award that changes the nature and viability of the constitutional claim. Any constitutional claim that respondent could have raised in *Tronzo I*, when the ratio stood at 2.8 to 1, is fundamentally different from the claim that arose after the district court acted on remand, when the ratio had become over 38,000 to 1. All other things being equal, such a radical change in the ratio of the awards

necessarily gives rise to a new and distinct reasonableness inquiry.

The Federal Circuit did not dispute that the constitutionality of a punitive damages award is in part a function of its ratio to the harm to the plaintiff, but ruled instead that a defendant must on pain of waiver raise a contingent and hypothetical constitutional claim in the first appeal: namely, "that, *if* the compensatory damages award is lowered, constitutional requirements mandate that the punitive award be commensurately adjusted." Pet. App. 12a (emphasis added). The Federal Circuit further held that it is not enough for the defendant to argue that the punitive damages award must fall if the compensatory award is vacated, for Biomet did so in both its initial and reply briefs. See *supra* p. 6. Rather, according to the Federal Circuit, the defendant must affirmatively argue (and the court of appeals presumably entertain) that the punitive damages award is unconstitutional if one or another scenario regarding liability or compensatory damages materializes.

Not only is the *Tronzo II* rule that a litigant must raise for appellate consideration a contingent constitutional claim contrary to *Sprague*, but it violates the fundamental precept that courts should decline

> "'to decide abstract, hypothetical or contingent questions . . . or to decide any constitutional question in advance of the necessity for its decision . . . or to formulate a rule of constitutional law broader than is required by the precise facts to which it is to be applied . . . or to decide any constitutional question except with reference to the particular facts to which it is to be applied . . . .'"

Clinton v. *Jones*, 520 U.S. 681, 690 n.11 (1997) (omissions in original) (quoting *Alabama State Fed. of Labor* v. *McAdory*, 325 U.S. 450, 461 (1945)). Any attempt by a court of appeals to decide due process violations on the basis of hypothetical and undeveloped arguments and indeterminate facts would be

directly contrary to the mission that this Court set for the courts of appeals in *Cooper*: namely, to "maintain control of, and clarify, the legal principles" governing determinations of "gross excessiveness." *Cooper*, 121 S. Ct. at 1685 (internal quotation marks omitted).

The Federal Circuit's decision in *Tronzo II* places parties and their lawyers in wholly untenable positions, and sows confusion in the appellate briefing of the critical issue of the constitutionality of punitive damages awards. In this particular case, there was no way Biomet could have predicted how the court of appeals was going to decide the issues of liability or compensatory damages, nor how the district court would handle such issues, if and only if the appellate court remanded the case. If *Tronzo II* were indeed the rule, Biomet's brief in the first appeal would have been a series of hypothetical arguments about whether the punitive damages award would be grossly excessive (a) if both fraud and breach-of-confidential-relationship liability were upheld; (b) if only fraud were upheld; (c) if only breach-of-confidential-relationship liability were upheld; (d) if only certain contested theories of breach of confidential relationship or fraud were sustainable on the evidence; (e) in light of the comparable legislative sanctions for each of those possibilities of liability; and (f) in comparison to any number of possible compensatory awards for each of those possible theories of liability. See *Cooper*, 121 S. Ct. at 1682 (noting that appellate reversal of the determination that defendant violated trademark laws should be considered in determining the gross excessiveness of the award). In addition, merely mentioning the possibility that compensatory damages *might*, under one of a number of possible scenarios, later be reduced, which in turn *might* create a constitutional issue with respect to the punitive award, would have served no purpose. Such a statement would have been of no value, to either parties or the court of appeals, since the court could not have taken any action based on the statement.

There is neither sense nor economy in a rule of law that insists that a party must waste scarce pages of an appellate brief on issues that a court of appeals cannot decide. This is especially so in a complex and technical case like this one, where there were multiple challenges to liability and damages involving multiple causes of action. It simply cannot be seriously argued that the court of appeals in *Tronzo I* would have entertained any excessiveness challenge in light of the doctrine of avoidance of unnecessary or hypothetical constitutional issues, the prohibition against judicial fact finding in jury cases (U.S. Const. amend. VII), and the absence of a sufficient command of the record to make a determination of sustainable compensatory damages without a remand to the district court.

Furthermore, a judicially created rule that a failure to challenge "the amount" of punitive damages in the first appeal forecloses a later challenge to the award, Pet. App. 9a (emphasis in original omitted), is constitutionally suspect because it deprives the defendant of state-law and constitutional defenses that do not even arise until remand. For example, the current law in Florida, as in many states,[2] places a cap on punitive damages at a particular ratio to compensatory damages (*e.g.*, 3 to 1). No such defense would have existed in this case (or in many others) unless and until the compensatory damages were adjusted on remand; it cannot be the rule that a defendant must make the hollow

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[2] *See, e.g.*, Fla. Stat. § 768.73(1)(a); Ala. Code § 6-11-21; Alaska Stat. § 09.17.020; Colo. Rev. Stat. Ann. § 13-21-102(1)(a), (3); Conn. Gen. Stat. Ann. § 52-240b; Ga. Code Ann. § 51-12-5.1; 735 Ill. Comp. Stat. Ann. 5/2-1115.05(a); Ind. Code Ann. § 34-51-3-4; Kan. Stat. Ann. § 60-3701(e), (f); Nev. Rev. Stat. § 42.005(1)(a), (b); N.J. Stat. Ann. § 2A:15-5.14(b); N.C. Gen. Stat. § 1D-25; N.D. Cent. Code § 32-03.2-11(4); Ohio Rev. Code Ann. § 2315.21; Okla. Stat. Ann. tit. 23, § 9.1(B)-(D); Tex. Civ. Prac. & Rem. Code Ann. § 41.008; Va. Code Ann. § 8.01-38.1; Wash. Rev. Code § 19.86.090 (limiting punitive damages in consumer protection actions).

gesture of drawing to the attention of the court of appeals a state law defense that does not yet apply, lest defendant's failure to challenge the amount of punitive damages on the first appeal robs him of the right to raise that defense altogether in later proceedings.

Similarly, many states that do not have fixed caps still require the excessiveness of punitive damages to be determined in light of their relationship to compensatory damages.[3] The application of state law excessiveness standards is committed to the district court's discretion under Federal Rule of Civil Procedure 59. *Cooper*, 121 S. Ct. at 1683-84; *Browning-Ferris Indus. of Vt., Inc.* v. *Kelco Disposal, Inc.*, 492 U.S. 257, 279 (1989). That defense too

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[3] *See, e.g., Morse* v. *Southern Union Co.*, 174 F.3d 917, 925 (8th Cir.) (applying Missouri law), *cert. dismissed*, 527 U.S. 1059 (1999); *Neibel* v. *Trans World Assurance Co.*, 108 F.3d 1123, 1132 (9th Cir. 1997) (applying California Law); *Smith* v. *Ingersoll-Rand Co.*, 214 F.3d 1235, 1254 (10th Cir. 2000); *Walston* v. *Monumental Life Ins. Co.*, 923 P.2d 456, 468 (Idaho 1996); *Schaffer* v. *Edward D. Jones & Co.*, 552 N.W.2d 801, 810 (S.D. 1996); *Gray* v. *Allen*, 41 S.W.3d 330, 332 (Tex. App. 2001) (in addition to a statutory limit on punitive damages, holding that "[e]xemplary damages must be reasonably proportioned to actual damages"); *Tyson Foods, Inc.* v. *Stevens*, 783 So.2d 804, 809 (Ala. 2000) (in addition to statutory requirements limiting punitive damages, "the ratio between compensatory and punitive damages must be reasonable"); *Hundley ex rel. Hundley* v. *Rite Aid of S.C., Inc.*, 529 S.E.2d 45, 62 (S.C. Ct. App. 2000) ("Punitive damages must bear a 'reasonable relationship' to compensatory damages."); *Bowden* v. *Caldor, Inc.*, 710 A.2d 267, 284 (Md. 1998) ("[w]hether a punitive damages award bears a reasonable relationship to the compensatory damages awarded . . . . should be a consideration when a court reviews an award of punitive damages for excessiveness"); *Vandevender* v. *Sheetz, Inc.*, 490 S.E.2d 678, 685 (W. Va. 1997) ("As a matter of *fundamental fairness*, punitive damages should bear a reasonable relationship to compensatory damages.") (emphasis added); *Parkin* v. *Cornell Univ., Inc.*, 581 N.Y.S.2d 914, 916 (N.Y. App. Div. 1992) ("it is imperative" that a punitive damages award "bear a reasonable relationship to defendant's culpability").

cannot be decided until remand, and yet would be foreclosed by the wooden rule of *Tronzo II*.

Finally, the constitutional defense that a 38,000 to 1 ratio is "grossly excessive" in light of Biomet's conduct and in comparison to comparable legislation did not arise until remand. Yet no relief is available under *Tronzo II*, despite the principle that the federal courts are presumptively available to cure a constitutional violation. See *Bowen* v. *Michigan Acad. of Family Physicians*, 476 U.S. 667, 681 (1986).

In addition to holding that appellants must raise hypothetical issues in order to preserve them, the Federal Circuit also erred by adopting a truncated standard for finding whether there should be an exception to the mandate rule. In analyzing only the significance of the change in the evidence, see *supra* p. 10, the court of appeals ignored the most critical exception to the mandate rule and related prudential doctrines: namely, the need to prevent "manifest injustice." *Arizona* v. *California*, 460 U.S. 605, 618 & n.8 (1983); *Crocker* v. *Piedmont Aviation, Inc.*, 49 F.3d 735, 739-40 (D.C. Cir. 1995). The Federal Circuit's error is particularly grave in the context of denying adjudication of a *BMW* defense, the very purpose of which is to ensure *substantive* justice: "Elementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose." *BMW*, 517 U.S. at 574. Biomet certainly had no notice that evidence of state law violations causing minimal harm to Tronzo would nonetheless justify a $20 million punishment that was 38,000 times the amount of that harm. This Court described the 500 to 1 ratio of punitive damages to compensatory damages in *BMW* as "breathtaking." *Id.* at 583. Even without a fixed, bright-line rule, a ratio of 38,000 to 1 is certainly well beyond breathtaking, and requires (at an absolute minimum) a court to consider Biomet's constitutional challenge.

The Federal Circuit compounded its error by announcing rules for the application of the *BMW* guideposts that are in conflict with the teachings of this Court and precedents in other circuits. First, the Federal Circuit correctly recognized that in considering the ratio guidepost, a court may in some circumstances take into account potential harm to the plaintiff. Pet. App. 14a; see *BMW*, 517 U.S. at 575; see also *Cooper*, 121 S. Ct. at 1687. But the Federal Circuit took the extraordinary step of declaring that the gross excessiveness of punitive damages may be determined solely on the basis of speculation about potential harm *even when the plaintiff chose not to introduce any such evidence into the record*. Pet. App. 14a (conjecturing that "competent evidence of damages may have existed, but was never introduced"). That holding is without precedent. In *TXO Production Corp.* v. *Alliance Resources Corp.*, 509 U.S. 443 (1993), every Justice to address the issue agreed that at a minimum there must be "record evidence" of potential harm in order for that factor to count in the constitutional analysis. *Id.* at 461 (plurality) (stating that jury had evidence of "multimillion dollar" harm to victims of the scheme); *id.* at 468 (Kennedy, J., concurring in part and concurring in the judgment in part) (rejecting plurality's analysis because "the record in this case does not contain evidence, argument, or instructions regarding the potential harm"); *id.* at 485 (O'Connor, J., dissenting) (noting that "the estimate of potential loss that respondents proffer today appears nowhere in the record"); *accord Continental Trend Res., Inc.* v. *OXY USA, Inc.*, 101 F.3d 634, 640 (10th Cir. 1996) (analyzing ratio based on record evidence of actual and potential harm); *State* v. *WWJ Corp.*, 980 P.2d 1257, 1263 (Wash. 1999) (en banc) (same).

Second, the court of appeals suggested that Biomet would be unlikely to invoke the "reprehensibility of conduct" guidepost simply because it "never challenged on appeal the jury's finding of wanton or willful conduct in support of the punitive damages liability." Pet. App. 14a. But *BMW*

defined this guidepost as "*the degree* of reprehensibility of the defendant's conduct," and made clear that simply passing the minimum threshold for punitive damages does not end the inquiry regarding reprehensibility of conduct. 517 U.S. at 575 (emphasis added). This Court drew distinctions between economic and personal injury; between intentional, reckless and negligent conduct; between one-time and recidivist conduct; and between conduct that is directed at vulnerable victims and that which is not. *Id.* at 575-78. It directly rejected the claim that all acts causing economic harm "are sufficiently reprehensible to justify a significant sanction in addition to compensatory damages." *Id.* at 576. The Federal Circuit's wooden analysis is at odds not only with *BMW* but also with the approach of other appellate courts, which properly measure the degree of reprehensibility in determining the proper punishment. See, *e.g.*, *FDIC* v. *Hamilton*, 122 F.3d 854, 862 (10th Cir. 1997) (ratio of punitive to actual damages must be "modest" when only economic injury at issue); *Lance, Inc.* v. *Ramanauskas*, 731 So. 2d 1204, 1219 (Ala. 1999) (reducing punitive damages where conduct was "reprehensible" but not "egregious").

The Federal Circuit's bizarre conception of the appellate mandate rule and of the *BMW* guideposts cannot be countenanced. The negative effect of the decision below on orderly appellate procedure is painfully clear. *Tronzo II* creates an unwarranted trap for the appellate lawyer, and also creates significant risks for any defendant that even attempts to make hypothetical arguments regarding the constitutionality of an award. Such a defendant runs the risk either (1) of failing to anticipate the basis of the appellate decision in its hypothetical arguments, and thus confronting waiver claims on remand; or (2) of the appellate court deciding the constitutional question prior to the remand, thus depriving the defendant of the more favorable posture of raising the claim when (as here) compensatory damages are much smaller and the constitutional violation starker.

Not only is the decision below contrary to precedent and any reasonable conception of the appellate mandate rule, but also it is the most bitter of ironies that the Federal Circuit has unjustly applied a procedural rule to Biomet's detriment while rewarding respondent for his clear procedural default of failing to prove proper compensatory damages at trial. If *Tronzo II* stands, respondent will walk away with $20 million that the jury had awarded (and the district court in its post-trial decision had allowed) based on the legally improper theory of damages that respondent knowingly pursued.

Because the constitutionality of a punitive damages award is necessarily contingent on a final determination on remand of compensatory damages, it can never be decided by implication of a judgment vacating a compensatory damages award. The contrary rule of the Federal Circuit creates disarray in the appellate briefing of this critical constitutional issue. Either a party must wastefully and at the expense of meaningful argument devote pages of the brief to issues that the court of appeals will not decide, or worse yet the court of appeals will render decisions on hypothetical constitutional claims. It is manifestly important and urgent for this Court to settle the proper scope of the mandate rule in this case. Because the Federal Circuit exercises an exclusive national jurisdiction in patent cases, its mandates run to every district court in the country. Given the varying conceptions of the mandate rule in the circuits (as was acknowledged by the court below, see Pet. App. 9a, n.1), there is a high likelihood of confusion regarding Federal Circuit mandates in district courts that cannot reasonably anticipate the application of the unfamiliar and counterintuitive rule adopted below. In light of the great importance of appellate review of excessive punitive damages awards that this Court emphasized in *Cooper*, the Court should act now to resolve the conflicts of authority outlined above and stem the disorder that *Tronzo II* invites.

CONCLUSION

For the foregoing reasons, this Court should grant the petition.

Respectfully submitted,

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APPENDIX A

UNITED STATES COURT OF APPEALS
FEDERAL CIRCUIT

No. 00-1007

DR. RAYMOND G. TRONZO,
Plaintiff-Appellant,

v.

BIOMET, INC.,
Defendant-Appellee.

Jan. 17, 2001

Before NEWMAN, Circuit Judge, ARCHER, Senior Circuit Judge, and LOURIE, Circuit Judge.

ARCHER, Senior Circuit Judge.

Dr. Raymond G. Tronzo ("Dr.Tronzo") appeals the judgment of the United States District Court for the Southern District of Florida. *Tronzo v. Biomet, Inc.*, No. 91-8175-CIV-HURLEY (S.D.Fla. Aug.27, 1999), and underlying orders. Specifically, Dr. Tronzo appeals the reduction in an award of compensatory damages from $7,134,000 to $520, the reduction of punitive damages from $20,000,000 to $52,000, and the rejection of Dr. Tronzo's request for a new trial in light of the court's reduction of the jury's award of compensatory and punitive damages. Concluding that the district court erred only in revisiting the issue of the proper amount of punitive damages, we affirm-in-part and reverse-in-part.

BACKGROUND

This case returns to this court following remand from an earlier appeal, *Tronzo v. Biomet, Inc.*, 156 F.3d 1154, 47 USPQ2d 1829 (Fed.Cir.1998) ("*Tronzo I*"), from the judgment of the Southern District of Florida, *Tronzo v. Biomet, Inc.*, 950 F.Supp. 1149, 41 USPQ2d 1403 (S.D.Fla.1996).

The underlying dispute between Dr. Tronzo and Biomet concerns a medical device, called an "acetabular cup," that forms the upper portion of a hip implant. Dr. Tronzo alleged that he had established a confidential relationship with Biomet for the purpose of bringing his acetabular cup design to market. According to Dr. Tronzo, Biomet was to pay him for his invention if he could successfully obtain a patent on his invention. Dr. Tronzo claims that Biomet failed to compensate him and, instead, took his ideas and incorporated them into its highly successful Mallory/Head cup design (named after Drs. Thomas Mallory and William Head). Dr. Tronzo brought suit in the Southern District of Florida for infringement of United States Patent No. 4,743,262 ("the '262 patent"), issued May 10, 1988, and, under Florida law, for breach of a confidential relationship, fraud, and unjust enrichment.

A jury found in favor of Dr. Tronzo on all counts, finding, by special verdict, that the '262 patent was valid and willfully infringed by Biomet and that Biomet was liable under state law for breach of a confidential relationship, fraud, and unjust enrichment. The jury awarded Dr. Tronzo $3,805,000 for patent infringement, $4,757,000 in compensatory plus $15,000,000 in punitive damages for the breach of a confidential relationship, $7,134,000 in compensatory plus $20,000,000 in punitive damages for fraud, and $4,750,000 in compensatory damages for unjust enrichment. The district court then enhanced the jury's patent infringement award by 50% (pursuant to 35 U.S.C. § 284), dismissed the

unjust enrichment count, and capped the total recovery at $7,134,000 in compensatory damages plus $20,000,000 in punitive damages to avoid double recovery.

On appeal of the district court's decision, Biomet argued that some of the claims of the '262 patent were invalid and that the other claims asserted were not infringed. Biomet further contested liability with respect to the state law claims and the compensatory damages associated with those claims. Biomet did not appeal the punitive damage award.

In reviewing Biomet's appeal in *Tronzo I*, we reversed the district court's findings of patent infringement, holding that some of the asserted claims were invalid and the other claims were not infringed. In addition, we upheld the district court's finding of liability on the state law counts, but reversed its judgment with respect to the amount of compensatory damages, holding that Dr. Tronzo had failed to establish the necessary nexus between the damages claimed and the injury sustained. The damages award granted by the district court had been computed based on Biomet's profits. We concluded that this was an incorrect measure of Dr. Tronzo's damages under controlling state law. *See Tronzo I*, 156 F.3d at 1161, 47 USPQ2d at 1835.

Because the compensatory damages were computed incorrectly, we remanded to the district court to determine if there was evidence on the record to "prove any of the costs and injuries incurred by [Dr.] Tronzo, such as the costs of prosecuting the patent and lost business opportunities." *Id.* If no such evidence existed on the record, we left it to the district court to decide, at its discretion, whether it would be appropriate to take new evidence.

On remand, the district court reviewed the evidence on the record concerning damages and concluded that, aside from $520 in patent prosecution costs, there was a "complete absence of competent substantial evidence to support the vacated portion of the award." The district court considered

Dr. Tronzo's arguments that his lost business opportunities could be measured by looking to the value of Biomet's Mallory/Head system, which allegedly incorporated Dr. Tronzo's misappropriated ideas. The district court, however, rejected this argument, reasoning that such a measure of damages was foreclosed by our decision on appeal. Then, exercising its discretion, the district court declined to re-open the record to take new evidence concerning compensatory damages. In making this decision, the court reasoned that both parties had been represented by competent counsel and had made strategic decisions in this protracted litigation. Accordingly, the court set the compensatory damages at $520, the maximum amount supported by the evidence in the record.

In response to the district court's reduction of the compensatory damages award, Dr. Tronzo asserted that this order constituted a remittitur, advised the court that he rejected this remittitur, and moved for a new trial on the issue of compensatory damages. The court rejected Dr. Tronzo's motion.

Biomet then moved for a reduction in the amount of punitive damages, arguing that, given the reduction in the compensatory damages award, the disparity between the amounts of compensatory and punitive damages now rendered the punitive damages amount unconstitutional. The court considered Biomet's argument, applying the Supreme Court's criteria in *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 116 S.Ct. 1589, 134 L.Ed.2d 809 (1996), to determine whether the punitive damages award violated due process. Noting that the disparity in the awards was greater than 38,000 to 1, the court granted Biomet's motion, and reduced the punitive damages award to $52,000, the maximum amount of punitive damages it considered permissible: 100 times the compensatory damages.

On August 27, 1999, the district court entered its Third Amended Final Judgment, implementing the terms of its several orders and setting compensatory damages at $520, punitive damages at $52,000, and awarding prejudgment interest on the compensatory damages award. *Tronzo v. Biomet, Inc.*, No. 91-8175-CIV-HURLEY (S.D.Fla. Aug.27, 1999).

In response to the court's reduction in the punitive damages award, Dr. Tronzo again argued this constituted a remittitur, and moved for a new trial on punitive and compensatory damages. The district court denied this motion.

This appeal followed. Dr. Tronzo asserts legal error in the district court's reduction in the jury's awards of compensatory and punitive damages and, in light of these reductions, in the district court's denial of its motions for a new trial on damages.

DISCUSSION

I. *Jurisdiction and Standard of Review*

This appeal follows the remand of an earlier appeal of a matter arising, in part, under the patent laws. Since the jurisdiction of the district court was based, in part, on 28 U.S.C. § 1338 (1994), we have jurisdiction over this appeal under 28 U.S.C. § 1295(a)(1) (1994).

We review issues not unique to patent law according to the law of the regional circuit where appeals from the district court would normally lie. *Novamedix v. NDM Acquisition Corp.*, 166 F.3d 1177, 1180, 49 USPQ2d 1613, 1615 (Fed.Cir.1999); *Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1301, 50 USPQ2d 1429, 1434 (Fed.Cir.1999) (holding district court's evidentiary decisions are reviewed under the law of the regional circuit). Accordingly, under controlling Eleventh Circuit law, we review the district court's

conclusions of law *de novo*. *Elston v. Talladega County Bd. of Educ.*, 997 F.2d 1394, 1405 (11th Cir.1993).

We also review *de novo* the interpretation of our own mandate in *Tronzo I*. *See Engel Indus. v. Lockformer Co.*, 166 F.3d 1379, 1382, 49 USPQ2d 1618, 1621 (Fed.Cir.1999).

II. *Compensatory Damages*

Dr. Tronzo claims legal error in the district court's reduction of the jury's award of compensatory damages from $7,134,000 to $520. Dr. Tronzo first argues that, under Florida law, a court may broadly consider any evidence of record that logically establishes the correct value of property taken by fraud. Dr. Tronzo contends that the district court should have considered as a proper measure of the value of the "property" taken from him either (1) payments by Biomet to Drs. Mallory and Head for their hip implant allegedly incorporating Dr. Tronzo's ideas or (2) Biomet's profits from its sales of the Mallory/Head device. Since this evidence amply supports the jury award, Dr. Tronzo asserts that the district court should have upheld the entire jury award of compensatory damages. Dr. Tronzo's arguments, however, are foreclosed by our decision in *Tronzo I*.

In *Tronzo I*, we held that the award of lost profits as damages for the torts asserted was inappropriate because it did not reflect the actual injury sustained by Dr. Tronzo. *Tronzo I*, 156 F.3d at 1161, 47 USPQ2d at 1835. Dr. Tronzo cannot now circumvent this holding by simply recasting his claim for damages measured by Biomet's profits as a claim for "out-of-pocket" losses. No matter how Dr. Tronzo frames this claim, he cannot establish the necessary nexus between his tort injuries and Biomet's profits from sales of the Mallory/Head device. Similarly, we cannot accept Dr. Tronzo's arguments that payments to Drs. Mallory and Head can provide a proper measure of his losses. Those payments were based on royalty payments for the Mallory/Head device

as well as other related products, and also reflect compensation for various services provided by the two doctors. As such, they are simply too remote and inconclusive to reflect the actual injury to Dr. Tronzo or to measure the amount of his damages. Rather, as we instructed in *Tronzo I*, Dr. Tronzo's injuries were to be measured by any record evidence properly establishing his losses, including evidence of his costs in prosecuting his patent and his lost business opportunities. *Id.*

On remand, the district court followed our instruction and reviewed the record for any such evidence. The court found that the only costs of patent prosecution supported in the record were $520. On appeal, neither party disputes this figure. As for "lost business opportunities," the district court found no evidence in support of Dr. Tronzo's claim of damages. *Id.* Dr. Tronzo confined his arguments to lost business opportunities measured by reference to either payments to Drs. Mallory and Head or Biomet's profits. The district court properly rejected such evidence. Thus, we see no error in the district court's computation of compensatory damages on remand.

In the alternative, Dr. Tronzo asserts that the district court should have applied the "wrongdoer rule" to support the full compensatory damages award. The wrongdoer rule is a principle explained in *Bigelow v. R.K.O. Radio Pictures*, 327 U.S. 251, 66 S.Ct. 574, 90 L.Ed. 652 (1946), whereby a "wrongdoer may not object to the plaintiff's reasonable estimate of the cause of injury and of its amount, supported by the evidence, because not based on more accurate data which the wrongdoer's misconduct has rendered unavailable." *Id.* at 265, 66 S.Ct. 574. Noting that Dr. Tronzo raised this argument for the first time on remand, the district court refused to entertain this argument. Dr. Tronzo claims legal error in the district court's refusal.

We reject this argument as well. As the district court explained, Dr. Tronzo made strategic decisions in the initial

trial concerning what evidence and arguments to advance in support of his theory of damages. We see no error, therefore, in the district court's refusal to address a new theory presented for the first time on remand. Moreover, even if the district court had chosen to address this theory, it would have been obliged to reject it. The wrongdoer rule does not obviate the requirement for a nexus between an injury and the claimed damages. *Bigelow*, 327 U.S. at 264, 66 S.Ct. 574 (noting that in applying the wrongdoer rule, the verdict must be based on a just and reasonable estimate of the damages, not speculation or guesswork.) Thus, this rule cannot be applied to justify Dr. Tronzo's reliance on either Biomet's profits or payments to Drs. Mallory and Head as a measure of its damages.

III. *Punitive Damages*

Dr. Tronzo argues legal error in the district court's reduction of the punitive damages award from $20,000,000 to $52,000. Dr. Tronzo asserts that, because Biomet never challenged the punitive damages award on appeal in *Tronzo I*, it necessarily waived any right to challenge this award on remand, and the initial punitive damages award became the "law of the case." Alternatively, Dr. Tronzo argues that the district court's reduction of the punitive damages award was outside the scope of our remand in *Tronzo I* and, therefore, revisiting this issue was prohibited by the mandate rule.

In response, Biomet asserts that it did not waive its constitutional challenge to the punitive damages and that neither the law of the case nor the mandate rule prevented the district court from revisiting this issue. By appealing the liability for the compensatory damages, Biomet argues, it implicitly challenged its liability for punitive damages as well. Biomet further argues that the doctrine of law of the case and the mandate rule do not preclude Biomet from asserting issues that only became ripe on remand. Because the disparity in compensatory and punitive damages first

arose on remand when the district court reduced the compensatory damages, Biomet argues this issue was never waived.

We agree that by failing to appeal the award of punitive damages in *Tronzo I*, Biomet waived this issue and was barred from raising it on remand. As an initial matter, Biomet's assertion that it challenged the punitive damages award indirectly in its initial appeal is not persuasive. It is uncontroverted that Biomet never appealed, nor questioned in any way, the *amount* of the punitive damages on appeal to this court in *Tronzo I*. Now, we need only consider whether Biomet's failure to raise this challenge in its first appeal waived its right to contest the amount of punitive damages in subsequent proceedings.

As noted above, Dr. Tronzo presents the issue of waiver in terms of either application of the doctrine of law of the case or an application of the mandate rule. In considering this question of waiver, we are guided by the approach of our recent decision in *Engel Industries, Inc. v. Lockformer Co.*, 166 F.3d 1379, 49 USPQ2d 1618 (Fed.Cir.1999). In that case, the alleged waiver concerned an issue that was within the scope of the initial judgment of the district court and was not appealed. We concluded that the issue was disposed of by the initial decision on appeal. While Dr. Tronzo argues waiver under law of the case, as well as the mandate rule, we confine our analysis to the determination of the scope of our mandate in *Tronzo I*. In other words, we consider whether the amount of punitive damages was an issue within the scope of the initial judgment of the district court. If so, it was necessarily incorporated within the scope of our mandate in *Tronzo I* and foreclosed from further review on remand.[1]

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[1] Other courts have attached different labels to the issue before this court. *See, e.g.*, Wright, Miller & Cooper, Federal Practice & Procedure § 4478 (1981); *Engel*, 166 F.3d at 1383, 49 USPQ2d at 1621 (citing cases

As described above, Biomet's main challenge to Dr. Tronzo's arguments of waiver is its contention that the constitutional issue was not ripe until remand and, therefore, could not have been appealed initially, and could not properly be considered within the scope of the initial judgment. Under these circumstances, Biomet argues, it is inappropriate to consider this issue waived or foreclosed by our mandate following the initial appeal in *Tronzo I*. And in further support of its contentions, Biomet points to our decisions in *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 42 USPQ2d 1897 (Fed.Cir.1997), and *Exxon Chemical Patents, Inc. v. Lubrizol Corp.*, 137 F.3d 1475, 45 USPQ2d 1865 (Fed.Cir.1998), where we held that issues not reached by the district court were not waived by a failure to raise these issues on a first appeal.

We are unpersuaded by Biomet's arguments. The present case is not comparable to *Laitram or Exxon*. In each of those cases, the trial court had not addressed the contested issue and, therefore, the issue was not deemed within the scope of the judgment initially appealed. *Laitram*, 115 F.3d at 951-52; *Exxon*, 137 F.3d at 1478-79. In the present case, however, the district court *did* consider the contested issue because it granted an award of punitive damages based on the jury verdict.[2] Despite Biomet's arguments to the contrary,

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discussing "waiver" and "law of the case" in support of its application of the mandate rule); *United States v. Polland*, 56 F.3d 776, 779 (7th Cir.1995) (explaining that law of the case doctrine is a corollary to the mandate rule). Many courts, however, have addressed this issue as we do, as an application of the mandate rule. *See Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 167-68, 59 S.Ct. 777, 83 L.Ed. 1184 (1939); *Biggins v. Hazen Paper Co.*, 111 F.3d 205, 209 (1st Cir.1997); *Mason*, 182 F.3d at 1214; *Eason v. Thaler*, 73 F.3d 1322, 1329 (5th Cir.1996). We conclude that the present issue is best labeled and treated as an application of the mandate rule.

[2] Moreover, unlike the present case, in *Laitram*, the alleged waiver was due to the *appellee's* failure to raise an issue in the initial appeal. In

the appropriateness of the amount of punitive damages was then ripe for legal challenge. And indeed, Biomet did challenge the amount of punitive damages at that time, arguing that the amount of punitive damages was excessive and not supported by the weight of the evidence. In its motion for judgment as a matter of law and for a new trial, Biomet argued:

> Even though at best the only damages that Dr. Tronzo could have suffered in this case would have been a few thousand dollars in patent costs, the jury awarded a $7.1 million compensatory award coupled with a $20 million punitive award.

Thus, Biomet's ripeness argument is misplaced. The district court had ruled on the issue of punitive damages in its initial decision and had further responded to Biomet's challenge to the appropriateness of the amount of punitive damages. Then, while disputing various rulings of the district court on appeal, Biomet chose not to contest the amount of punitive damages. Because Biomet failed to raise this issue, clearly implicated in the initial decision of the district court, our mandate in *Tronzo I* acted to prevent Biomet from raising this issue on remand or in any future proceedings in this litigation. *See Engel*, 166 F.3d at 1383, 49 USPQ2d at 1621.

Finally, while Biomet did not initially challenge the amount of punitive damages on constitutional grounds, it could have done so. The unconstitutionality of a large punitive damages award is not predicated on any specific ratio of punitive damages to compensatory damages. Rather, it is judged according to the three guideposts outlined by the Supreme Court in *BMW of North America, Inc. v. Gore*, 517

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concluding that the issue was not waived in that case, we noted that appellees do not select the issues to be appealed, and, therefore, the policies of waiver are less implicated by an appellee's failure to raise an issue. *Laitram*, 115 F.3d at 954, 42 USPQ2d at 1902-03.

U.S. 559, 116 S.Ct. 1589, 134 L.Ed.2d 809, namely, the reprehensibility of the conduct, the ratio of punitive damages to actual harm inflicted on the plaintiff, and the comparison of punitive damages to the civil or criminal penalties imposed for comparable conduct. *Id.* at 574-584, 116 S.Ct. 1589. Applying these guideposts, Biomet could have raised a constitutional challenge in *Tronzo I* if it considered the punitive damages, which the jury awarded based on its finding of wanton or willful conduct, to be excessive. Biomet could have asserted that, if the compensatory damages award is lowered, constitutional requirements mandate that the punitive award be commensurately adjusted; *see BMW*, 517 U.S. 559, 116 S.Ct. 1589. Biomet did not make any such challenge.

Thus, we conclude that Biomet's belated attack on the punitive damages award was foreclosed by our mandate in *Tronzo I*. This, however, does not entirely end our inquiry. Law of the case and the mandate rule are not always considered an unassailable limit on an appellate court's jurisdiction. Rather, these doctrines are better viewed as prudential doctrines that direct a court's discretion, but do not necessarily limit a court's power. *Crocker v. Piedmont Aviation, Inc.*, 49 F.3d 735, 739-40 (D.C.Cir.1995); *Heathcoat v. Potts*, 905 F.2d 367 (11th Cir.1990); *Eli Lilly and Co. v. Home Ins. Co.*, 794 F.2d 710, 717 (D.C.Cir.1986); *Arizona v. California*, 460 U.S. 605, 618, 103 S.Ct. 1382, 75 L.Ed.2d 318 (1983). Accordingly, it may be appropriate in some circumstances for a court to revisit an issue that would otherwise be deemed waived and beyond the scope of an appellate mandate. Such circumstances, however, must be exceptional. *See id.* Otherwise, the underlying rationales for the doctrines of law of the case and the mandate rule would be thwarted.[3] However, courts have considered revisiting

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[3] Such rationales include the need for (and the litigant's right to) finality, judicial economy, the consistency of judicial decisions, the

issues otherwise foreclosed in circumstances where there has been a substantial change in the evidence. *See id.*

Here, with the reduction in the award of compensatory damages from $7,134,000 to $520, Biomet argues, the ratio of the punitive damages award ($20,000,000) to compensatory damages went from 2.8 to 1 to 38,000 to 1. According to Biomet, its challenge to the punitive damages on remand was a "totally different challenge" than it might have raised when the ratio was only 2.8 to 1.

We cannot, however, accept Biomet's contention. True, 38,000 to 1 is a high ratio, and such a particularly high ratio will certainly "raise a suspicious judicial eyebrow." *Id.* at 583, 116 S.Ct. 1589 (quoting *TXO Prod. Corp. v. Alliance Res. Corp.*, 509 U.S. 443, 481, 113 S.Ct. 2711, 125 L.Ed.2d 366 (1993) (O'Connor, J., dissenting)). But the constitutionality of a punitive damages award is not simply a matter of numbers or ratios. *BMW*, 517 U.S. at 582, 116 S.Ct. 1589 ("We have consistently rejected the notion that the constitutional line is marked by a simple mathematical formula. . . ."). Rather, as noted above, Biomet's challenge to the amount of punitive damages, viewed under Supreme Court law in *BMW*, involves a consideration of three "guideposts," only one of which is the ratio of compensatory to punitive damages. The court must also consider the reprehensibility of the conduct and any civil or criminal penalties for similar conduct. And of these three guideposts, it was not the ratio of punitive to compensatory damages, but the reprehensibility of the conduct that was deemed by the

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discouragement of piecemeal adjudication, and the prevention of the perverse result of allowing a litigant to be in a better position by failing to raise an issue in an initial appeal. *See, e.g., Arizona*, 460 U.S. at 619, 103 S.Ct. 1382; *Northwestern Indiana Tel. Co., Inc. v. Fed. Communications Comm'n*, 872 F.2d 465, 470 (D.C.Cir.1989); *Heathcoat*, 905 F.2d at 370; *Crocker*, 49 F.3d at 735 (D.C.Cir.1995).

Supreme Court to be "the most important indicium of the punitive damages award." *Id.* at 575, 116 S.Ct. 1589. With respect to this most important guidepost, we note that Biomet never challenged on appeal the jury's finding of wanton or willful conduct in support of the punitive damages liability.

Moreover, Biomet's focus on the ratio of damages presents even this limited issue too simplistically. The guidepost articulated by the Supreme Court was the ratio of punitive damages to "actual and *potential* damages." *BMW*, 517 U.S. at 582, 116 S.Ct. 1589 (emphasis added). In discussing this guidepost, the Court elaborated:

> [L]ow awards of compensatory damages may properly support a higher ratio than high compensatory awards, if, for example, a particularly egregious act has resulted in only a small amount of economic damages. A higher ratio may also be justified in cases in which the injury is hard to detect or the monetary value of noneconomic harm might have been difficult to determine.

Id. In the present case, in discussing the reprehensibility of Biomet's conduct, the district court pointed to record evidence in support of Dr. Tronzo's claim that Biomet misappropriated his ideas and commented that "Biomet misled Dr. Tronzo and substantially profited thereby." The court then went on to note that the compensatory damages "[did] not adequately reflect the actual harm caused." In addition, in regard to the limited record evidence of compensatory damages, the court further commented that the parties were represented by "competent counsel who made strategic decisions throughout the course of protracted litigation," indicating competent evidence of damages may have existed, but was never introduced. Thus, there is a strong suggestion in the record that the potential compensatory damages may have been much higher than what was actually awarded.

Overall, therefore, we cannot conclude that the reduction of the amount of compensatory damages on remand created such a substantial change in the facts to allow the district court to revisit the punitive damage award. Accordingly, we conclude that the district court erred in reducing the amount of punitive damages and that such action was foreclosed by our mandate in *Tronzo I*. We reverse the district court's judgment on this matter and reinstate the original $20,000,000 award of punitive damages.

IV. *Remittitur*

Finally, Dr. Tronzo claims legal error in the district court's rejection of his claim that the reduction in the compensatory and punitive damages awards was a remittitur, and in its failure to order a new trial on these issues. Because we have reversed the court's reduction of punitive damages, Dr. Tronzo's claim with respect to these damages is now moot. Thus, we only consider Dr. Tronzo's claim with respect to the compensatory damages.

Dr. Tronzo argues that under the rule announced in *Hetzel v. Prince William County*, 523 U.S. 208, 118 S.Ct. 1210, 140 L.Ed.2d 336 (1998), when a court determines that the evidence does not support a damages award, and the damages must be recalculated, the court is imposing a remittitur. If the court then imposes a lesser amount of damages than the jury awarded, and the plaintiff does not accept this reduction, the Seventh Amendment to the United States Constitution requires that the plaintiff be granted the option of a new trial. Dr. Tronzo argues that he rejected the district court's remittitur on the compensatory damages award and moved for a new trial. He contends that the district court's denial of his request for a new trial was therefore in error.

In response, Biomet points to Eleventh Circuit law distinguishing the *Hetzel* decision. *Johansen v. Combustion Eng'g*, 170 F.3d 1320, 1330-31 (11th Cir.1999). Biomet

argues that the analysis in *Johansen* should guide this court in considering whether the reduction in compensatory damages in this case constituted a remittitur. According to the *Johansen* court, "the Seventh Amendment is not offended" when the reduction in a damages award is necessitated by legal error. *Johansen*, 170 F.3d at 1330. The *Johansen* court further noted that *Hetzel* considered a classic remittitur situation, where the judge had exercised his discretion to reduce a damages award that he felt was not adequately supported by the evidence. *Id.* In contrast, the verdict in the case before the *Johansen* court was reduced as legally impermissible under the Constitution. Similarly, Biomet argues that the reduction in compensatory damages in the present case was a purely legal issue. As a matter of law, there was no support for the compensatory damages award beyond that awarded by the district court. Thus, there was no issue for the jury to reconsider.

We agree with Biomet that the reduction in compensatory damages did not constitute a remittitur entitling Dr. Tronzo to a new trial. While Supreme Court law, to the extent articulated in *Hetzel*, applies to remittitur situations, we adopt for purposes of this case the controlling Eleventh Circuit's conclusion that *Hetzel* did not consider the case of the reduction in a damages award on purely legal grounds.

In *Hetzel*, a jury had found for the plaintiff on her civil rights claim under title VII of the Civil Rights Act and awarded $500,000 in damages. Considering this award excessive in light of the limited evidence of harm, the court reduced this award to $50,000. This discretionary decision necessarily involved a reweighing of the evidence and reassessment of the appropriate amount of damages warranted by the facts decisions traditionally left to a jury.

In contrast, in the present case, the district court did not reweigh any evidence, nor did it exercise its discretion in computing the damages award. Instead, the court awarded the

maximum damages possible given the lack of competent evidence in the record. The award of $520 in compensatory damages was based on the total costs for prosecuting the '780 patent, as evidenced by the record. The parties do not dispute this figure. The only true dispute here is over the proper amount of compensatory damages for Dr. Tronzo's "lost business opportunities." But, as the district court explained, Dr. Tronzo never introduced any legally competent evidence to support any such damages award. The evidence in the record that Dr. Tronzo attempted to rely on was too remote and inconclusive to reflect the actual injury incurred by Dr. Tronzo or to measure his damages. Thus, re-presenting this issue to the jury would have been pointless because, as a matter of law, the compensatory damages award could not exceed the $520 already awarded. *Cf. Johansen*, 170 F.3d at 1332 n. 19 (commenting that giving the plaintiff the option of a new trial would be of no value because the award was already the maximum permissible under the Constitution).

In conclusion, we see no error in the district court's refusal to grant Dr. Tronzo a new trial in light of its reduction in the compensatory damages award.

CONCLUSION

For the reasons stated above, we affirm the district court's judgment as to the award of compensatory damages and its rejection of Dr. Tronzo's motion for a new trial as to these damages, and we reverse the court's reduction in the punitive damages award, reinstating the original punitive damage award of $20,000,000.

Each party shall bear its own costs.

AFFIRMED-IN-PART AND REVERSED-IN-PART

APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHWESTERN DISTRICT OF FLORIDA

CASE NO. 91-8175-CIV-HURLEY

DR. RAYMOND G. TRONZO,
Plaintiff,

v.

BIOMET, INC.,
Defendant.

ORDER GRANTING DEFENDANT'S MOTION TO REDUCE PUNITIVE DAMAGES AWARD, DENYING PLAINTIFF'S MOTION TO REINSTATE JURY AWARD ON UNJUST ENRICHMENT CLAIM, AND GRANTING PLAINTIFF'S REQUEST FOR PREJUDGMENT INTEREST

THIS CAUSE is before the court upon defendant's motion to reduce an award of punitive damages and plaintiff's motion to reinstate the jury award on his claim for unjust enrichment. In addition to written arguments, the court has had the benefit of oral argument on both issues.

I. Procedural Background

Following an appeal by defendant, Biomet, Inc. ("Biomet"), the Federal Circuit vacated the jury's compensatory damages award on plaintiff's ("Dr. Tronzo") claims for fraud and breach of confidential relationship and remanded for this court "to determine appropriate award of damages." [1] In its Order Implementing Mandate issued April

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[1] The Federal Circuit also reversed the jury's finding of liability on plaintiff's patent claim, and that claim is no longer part of the case.

26, 1999, this court found plaintiff's damages to be his expenses for prosecuting the patent and awarded him $520 in compensatory damages. The court also reinstated the punitive award of $20 million, but stayed entry of final judgment to allow the parties to challenge the order on constitutional grounds. Biomet moved to reduce the punitive award on the ground that it violates due process. Dr. Tronzo opposed reducing the punitive award and, alternatively, moved to reinstate the jury's verdict in his favor on his claim for unjust enrichment. Dr. Tronzo also requested the court award prejudgment interest on the compensatory award, and Biomet conceded plaintiff's entitlement to said interest.

II. Legal Analysis

A. Power to Amend Punitive Damages Award

Plaintiff initially argues that the court lacks jurisdiction to amend the punitive damages award because defendant did not appeal the award as part of the appeal on liability. Plaintiff presents four theories that bar the court from reconsidering the award: waiver, judicial admission, law of the case, and the mandate rule. Defendant responds that although it is foreclosed from challenging Dr. Tronzo's entitlement to punitive damages, the issue of constitutional excessiveness did not arise until the court reduced the compensatory damage award to $520. Therefore, defendant contends, none of plaintiff's theories applies to this case.

The court agrees with defendant that the due process issue regarding the $20 million punitive award did not come into being until this court entered its order reducing the compensatory damage award to $520. Biomet could not have waived, and this court could not have considered, the excessiveness issue before the compensatory award was reduced. Thus, in addressing the excessiveness issue at this juncture, the court believes it is not exceeding its authority nor acting contrary to the mandate of the appellate court.

Cf. Gregg v. U.S. Indus., Inc., 715 F.2d 1522, 1534, *modified*, 721 F.2d 345, 346 (11th Cir. 1983) (after upholding jury verdict but vacating compensatory award, appellate court remanded for district court to reconsider punitive award which had not been briefed or argued to appellate court); *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 951 (Fed. Cir. 1997) (upon remand, district court may address any issues not actually decided or decided by necessary implication). Accordingly, the court will address the punitive damages issue.

B. Punitive Damages

1. *Constitutional Excessiveness*

The purposes of awarding punitive damages are to punish unlawful conduct and deter repetition of that conduct. *See BMW of North America, Inc. v. Gore*, 116 S. Ct. 1589, 1595 (1996). Despite these goals, the Supreme Court has held that there are some punitive awards that are so excessive they violate the Due Process Clause of the Fourteenth Amendment. *TXO Production Corp. v. Alliance Resources Corp.*, 113 S. Ct. 2711, 2718 (1993). To assess whether a given punitive damages award comports with due process, courts must consider three guideposts:

1. the degree of reprehensibility of the defendant's conduct;
2. the disparity between the actual harm suffered and the punitive award, often expressed as a ratio; and
3. a comparison of the punitive award with potential civil and criminal penalties available for the defendant's conduct in the instant case and in comparable cases.

See BMW, 116 S. Ct. at 1598-99; *Johansen v. Combustion Eng'g, Inc.*, 170 F.3d 1320, 1333 (11th Cir. 1999).

The most important of the three factors is the degree of reprehensibility. *See BMW*, 116 S. Ct. at 1599. "Indicia" of reprehensibility include: "deliberate false statements, acts of affirmative misconduct or concealment of evidence of improper motive, and repetition of tortious conduct." *Johansen*, 170 F.3d at 1335 (*citing BMW*, 517 U.S. at 576). Dr. Tronzo argues that Biomet's conduct was especially reprehensible because Biomet: (1) obtained approval of the Mallory/Head acetabular cup by making false statements to the Food and Drug Administration ("FDA") regarding the method of surgical implantation for the device, which in turn risked the health of approximately 26,000 patients; (2) stole Dr. Tronzo's confidential information; and (3) earned $88 million from it's misappropriation of Dr. Tronzo's ideas. Biomet contends that its conduct was not very reprehensible because it caused only a small amount of economic harm ($520) to only one person (Dr. Tronzo). Further, Biomet claims there is no evidence in the record that any person was ever injured by the Mallory/Head cup and that the Federal Circuit's opinion negated the nexus between defendant's profits and plaintiff's injury.

At the court's request, plaintiff filed a supplemental brief [DE #522, filed July 2, 1999] detailing evidence in the record that he believes documents the egregiousness of Biomet's conduct. In his supplement, plaintiff first points to testimony by Dr. Head that indicates Biomet developed a finned cup by misappropriating Dr. Tronzo's ideas. *See* Pla.'s Supp. Ex. A(8), (11) (Dr. Head was working on a threaded cup and had no experience with finned cups; and Biomet developed a prototype of a finned cup within one week after meeting with Dr. Head although it took Dr. Tronzo years to develop a similar cup). Second, plaintiff identifies testimony that shows Biomet stated to the FDA that the Mallory/Head cup was to be implanted by using bone cement when in reality the Mallory/Head cup was not designed for cemented use and the use of cement was dangerous due to the likelihood of

cracking. *See* Pla.'s Supp. Ex. B(1), (3). Further, Biomet marketed the cups to physicians for use without cement. *See* Pla.'s Supp. Ex. B(4), (5), (6), (7). While this evidence shows that Biomet misappropriated Dr. Tronzo's ideas and, at a minimum, made some misstatements to the FDA, it does not show, as plaintiff claims, that patients were put at risk. To the contrary, it shows that the cups were implanted in the manner that they were designed, *i.e.*, without cement, and plaintiff has not pointed to any evidence documenting injury to patients who received the implant.

The second factor to consider in determining whether a punitive award is constitutionally excessive is the disparity between the actual harm suffered and the punitive award, usually expressed as a ratio. It is now settled that punitive damages must bear a "reasonable relationship" to compensatory damages. *See BMW*, 116 S. Ct. at 1601 (collecting cases). As it stands now, the ratio of the punitive award ($20 million) to the actual injury ($520) is greater than 38,000 to 1. For comparison, the Court in *BMW* found a ratio of 500 to 1 to violate due process, whereas the Eleventh Circuit in *Johansen* upheld a ratio of 100 to 1. Although there is no bright line test establishing a proper ratio, without question the $20 million punitive award in this case does not bear a reasonable relationship to the $520 compensatory award and, therefore, it must be reduced. The more difficult issue is the appropriate level of reduction.

The third guidepost requires the court to compare the civil and criminal penalties that were authorized or imposed in the same case and in comparable cases. *See BMW*, 116 S. Ct. at 1603, *Johansen*, 170 F.3d at 1337. There is no record evidence that Biomet was fined either criminally or civilly in this case. Nonetheless, a helpful indicator is the amount of available statutory fines. *See id.* Defendant compares Florida's statute on punitive damages which limits the punitive to compensatory ratio in most cases to 3 to 1.

See Fla. Stat. § 768.73. The court has also considered the statutory penalties for violating the Florida Deceptive and Unfair Trade Practices Act ("Unfair Trade Act") and the Florida Uniform Trade Secrets Act ("Trade Secrets Act") and for making false statements to the FDA. The Unfair Trade Act permits a fine of not more than $10,000 for each unlawful act, while the Trade Secrets Act permits exemplary damages in an amount double any compensatory award for malicious misappropriation of a trade secret. *See* Fla. Stat. §§ 501.2075, 688.004. Violations of the Food, Drug, and Cosmetic Act with intent to defraud or mislead, which would likely include false statements to the FDA about a medical device, can lead to imprisonment for up to three years and a fine of $10,000. *See* 21 U.S.C. §§ 331, 333(a)(2).

Plaintiff analogizes to the case of *United States v. C.R. Bard Inc.*, 848 F. Supp. 287 (D. Mass. 1994). The *C.R. Bard* case involved a corporate defendant who was criminally prosecuted for making false statements to the FDA and using unapproved medical devices in various unlawful ways. The defendant's scheme lasted over two years and was linked to several injuries and even some patients' deaths. For its conduct, the defendant paid criminal fines and civil settlements of approximately $61 million, an amount "equal to the estimated gross sales" of the offending devices. *Id.* at 291. Because the defendant in *C.R. Bard* risked patients' health and caused actual injury to patients, the conduct at issue there was substantially more reprehensible than Biomet's conduct here.

2. *Reducing the Award*

When a court reduces a jury award of damages on constitutional grounds, it may only reduce the award to the maximum amount the Constitution will permit. *See Johansen*, 170 F.3d at 1332. Biomet mislead Dr. Tronzo and substantially profited thereby. Although the consequences are unclear, Biomet also made false statements to the FDA.

As the jury found, this conduct warrants punitive damages. The court's duty at this stage is limited to ensuring that the amount awarded does not violate due process. In this case, the amount of compensatory damages does not adequately reflect the actual harm caused. Thus, a ratio greater than the Florida's typical 3 to 1 is appropriate. Upon consideration of the purposes of punitive damages, the substantial means of Biomet, and the three guideposts, giving the greatest weight to the reprehensibility of defendant's conduct, the court concludes that the maximum amount of punitive damages the Constitution will permit in this case is $52,000, an amount equaling a ratio of 100 to 1.

C. Unjust Enrichment Claim

Alternatively, plaintiff moved to reinstate the jury's verdict on his equitable claim for unjust enrichment. The jury originally awarded plaintiff $4,750,000 on this claim. Following the verdict, the court dismissed the unjust enrichment claim on the ground that plaintiff had an adequate remedy at law. *See* Order on Adequacy of the Remedies at Law, DE #304, filed June 24, 1996. Plaintiff now argues that in light of the $520 compensatory award, his legal remedy is no longer adequate because it does not compensate him for the benefit he conferred on defendant. With no small amount of irony, defendant argues the court does not have the power to address this issue because plaintiff did not appeal it. In addition, even if court could address it, defendant argues the issue of the adequacy of remedies depends not on the amount recovered but on the availability of a plain, speedy, and efficient remedy at law.

The court agrees with defendant that plaintiff has waived its right to have the jury verdict reinstated by failing to cross-appeal the issue. *See Heathcoat v. Potts*, 905 F.2d 367, 370 (11th Cir. 1990). Even if the court did have the power to address the issue, the court's Order on Adequacy of the Remedies at Law still applies. The court dismissed plaintiff's

unjust enrichment claim not because the damages were redundant but because plaintiff's remedy at law was adequate. In this respect, nothing has changed. Thus, the unjust enrichment claim will not be reinstated.

III. Decretal Provisions

Based on the foregoing reasons, it is hereby ORDERED and ADJUDGED:

1. Defendant's motion to reduce punitive damages award [DE #503] is GRANTED.
2. Punitive damages will be awarded by separate order in the amount of fifty-two thousand dollars ($52,000).
3. Plaintiff's motion to reinstate jury award on claim of unjust enrichment [DE #517] is DENIED.
4. Plaintiff's request for prejudgment interest on the compensatory damages award [DE #504] is GRANTED. Said interest will be awarded by separate order.
5. Plaintiff's motion to strike the affidavit of Daniel P. Hann [DE #518] is GRANTED.

DONE and SIGNED in Chambers at West Palm Beach, Florida this 25th day of August, 1999.

/s/ Daniel T. K. Hurley
DANIEL T. K. HURLEY
United States District Judge

Copy furnished to:
L. Martin Reeder, Esq.
Donald R. Dunner, Esq.
Robert S. Hackelman, Esq.
James F. Davis, Esq.

APPENDIX C

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No: 91-8175-CIV-HURLEY

DR. RAYMOND TRONZO,
Plaintiff/Appellee,

v.

BIOMET, INC.,
Defendant/Appellant.

ORDER IMPLEMENTING MANDATE

THIS MATTER is before the court on remand from an August 28, 1998 decision of the United States Court of Appeals for the Federal Circuit and that Court's mandate of October 26, 1998. Subsequent to issuance of the mandate, defendant/appellant Biomet, Inc. ("Biomet") filed a motion for relief from judgments pursuant to the Federal Circuit's decision, and plaintiff/appellee Dr. Raymond Tronzo ("Dr. Tronzo") filed a motion for judgment or new trial on punitive damages. On November 4, 1998, pursuant to the Federal Circuit's mandate, the court vacated judgment on Dr. Tronzo's claim for patent infringement, entered final judgment for Biomet on that claim, vacated any injunction regarding the subject patent and reserved jurisdiction over the matters remaining for the court's consideration. Thereafter, on February 12, 1999, the court heard oral argument on the above-referenced cross-motions of the parties. Following that argument, the court ordered the parties to file supplemental briefs identifying record evidence of Dr. Tronzo's damages,

consistent with the Federal Circuit's discussion of the proper measure of damages.

To start with, "[n]o principle of law is better established than the rule that a District Court is bound 'by the decree [of the Court of Appeals] . . . and must carry it into execution, according to the mandate.' " *Mays v. Burgess*, 152 F.2d 123, 124 (D.C. Cir. 1945) (citation omitted). *See also Briggs v. Pennsylvania R. Co.*, 334 U.S. 304 (1948); *Jackson v. Motel 6 Multipurpose, Inc.*, 130 F.3d 999 (11th Cir. 1997). This court is mindful of its obligation and has shriven to fulfill it. Of course, should either party believe that the court has failed to achieve this objective, each party remains free to file motions with the Federal Circuit to enforce or clarify its mandate.

In its opinion, the Federal Circuit stated: "We conclude that the award of lost profits (as a constructive trust) or as a reasonable royalty as damages for the torts asserted is inappropriate because it does not properly reflect Tronzo's actual injury." The opinion goes on to quote this court regarding Dr. Tronzo's injury: "While Biomet's argument that a patent is not a detriment has perhaps a superficial appeal, it neglects the costs to Dr. Tronzo of seeking his patent, defending it on re-examination, and of foregoing opportunities to pursue relationships with other companies or to pursue other means for bringing his acetubular cup to market." Although the Federal Circuit agreed with this characterization of Dr. Tronzo's injury, it explained that this injury is not related to the lost profits damages that this court awarded. *See Rucker v. Garlock, Inc.*, 672 So.2d 100, 102 (Fla. 3d DCA 1996) ("In order for an award of damages to be proper, there must be some nexus between the damages claimed and the injury incurred"). The Federal Circuit also noted that the injury sustained by Dr. Tronzo for breach of confidential relationship was likewise unrelated to lost profits damages. Thus, having determined that the costs and injuries actually incurred by Dr. Tronzo—"such as the costs of

prosecuting the patent and lost business opportunities"—were the proper measure of damages, the Federal Circuit noted that there was "no evidence" to support such damages in the record before it. Therefore, the Federal Circuit remanded the case to this court with directions to determine whether such evidence existed in the complete record.

A review of the trial transcript shows that plaintiff did offer evidence supporting the costs of obtaining the subject patent. Eugene Chovanes, Dr. Tronzo's patent attorney, paid fees of five hundred and twenty dollars ($520.00) to the Patent and Trademark Office. Plaintiff's Trial Exhibit 903, at A32-34, A154 and A166. Bionet points out that there is no evidence in the record that Dr. Tronzo reimbursed Mr. Chovanes for such payment. Biomet admits, however, that this may be inferred from the record. The court believes this is a reasonable and permissible inference, and that this evidence reflects the "injury" sustained by Dr. Tronzo pursuant to his fraud claim and his claim for breach of confidential relationship.

The more challenging task required of this court is determining what evidence supports Dr. Tronzo's "lost business opportunities," consistent with the Federal Circuit's mandate. "Lost business opportunities" could, of course, mean Dr. Tronzo's lost opportunities to pursue relationships with companies *other than Biomet* and *other* means of bringing the acetubular cup to market. However, Dr. Tronzo has not identified any evidence of this sort in the record. Rather, he urges the court to consider his "lost business opportunities" to be the loss of opportunities he would have had to transact *with Biomet* had Biornet not acted tortiously. Dr. Tronzo asserts there is substantial record evidence of the measure of his loss, thus conceived.

In support of the argument that he is entitled to the "value" of the property obtained by Biotnet, or denied to him, Dr. Tronzo cites *Bigelow v. RKO Radio Pictures*, 327 U.S. 251 (1946). In *Bigelow*, the United States Supreme Court

discussed what is known as the "wrongdoer rule." The rule requires that a wrongdoer bear the risk of uncertainty that his own wrong has created and that prevents precise computation of damages. The United States Supreme Court elaborated on the wrongdoer rule as follows:

> [T]he wrongdoer may not object to the plaintiff's reasonable estimate of the cause of injury and of its amount, because not based on more accurate data which the wrongdoer's misconduct has rendered unavailable. And in cases where a wrongdoer has incorporated the subject of a plaintiff's patent or trademark in a single product to which the defendant has contributed other elements of value or utility, and has derived profits from the sale of the product, this Court has sustained recovery of the full amount of defendant's profits where his own wrongful action has made it impossible for the plaintiff to show in what proportions he and the defendant have contributed to the profits.

Bigelow, 327 U.S. at 265 (citations omitted). Without commenting on the merits of this argument, the court notes that it does not appear that Dr. Tronzo made this argument to the Federal Circuit. Furthermore, the Federal Circuit's decision forecloses the argument that Dr. Tronzo's "lost business opportunity" can be measured by reference to evidence regarding the "value" of the Mallory/Head System or Dr. Tronzo's contribution to it.

This court believes that when the Federal Circuit instructed it to review the record for evidence of lost business opportunities, it had in mind lost opportunities to pursue development with an entity other than Biomet.[1] Because Dr.

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[1] This is borne out by Dr. Tronzo's own appellate brief in which he talks about "lost business opportunities" as the cost of "foregoing opportunities to pursue relationships with *other* companies to pursue *other* means for bringing his acetubar cup to the market." Brief of Plaintiff/Appellee at 45 (emphasis added).

Tronzo has not identified any such evidence in the trial record, the court rules that he failed to present at trial any evidence of his lost business opportunities. The court acknowledges that it has been granted discretion by the Federal Circuit to take new evidence on damages. Exercising its discretion, the court declines to open the record and take new evidence. Both parties in this case were represented by competent counsel who made strategic decisions throughout the course of protracted litigation and an extended trial. They have had a fair and full opportunity to develop the record, and it should be evaluated as it now stands.

Thus, the court holds that Dr. Tronzo is entitled to an award of compensatory damages in the amount of five hundred and twenty dollars ($520.00), which amount reflects the "injury" sustained by Dr. Tronzo with respect to his fraud claim and his claim for breach of confidential relationship. In accord with the order of June 19, 1996, the court will not allow Dr. Tronzo to recover twice for the same injury. Accordingly, the award of compensatory damages will be capped at five hundred and twenty dollars for both claims. The parties, in supplemental memoranda to be submitted, shall address the issue of pre-judgment interest on the compensatory damages award and calculation of the same.

Turning next to the issue of punitive damages, the court by order dated October 29, 1996, awarded Dr. Tronzo fifteen million dollars ($15,000,000) in punitive damages on his claim for breach of a confidential relationship and twenty million dollars ($20,000,000) in punitive damages on his claim for fraud. The court capped the punitive damages award at twenty million dollars, however, in accord with an earlier order rejecting redundant punitive damages. Dr. Tronzo's entitlement to punitive damages was not challenged on appeal and the Federal Circuit's mandate does not disturb the punitive damages award. Accordingly, the court will reinstate the award of punitive damages in the amount of twenty

million dollars. Biomet has indicated its intention to attack the punitive damages award because of the disparity that will exist between compensatory and punitive damages. Dr. Tronzo, on the other hand, has expressed the view that Biomet failed to challenge punitive damages on appeal and, therefore, is estopped to contest their validity.

Anticipating motions from both parties, it is ORDERED and ADJUDGED that:

1. The Second Amended Final Judgment on Plaintiff's Claims Under State Law [DE #377] is VACATED in its entirety.

2. Judgment shall be entered for plaintiff, Dr. Tronzo, on his claims for breach of a confidential relationship and for fraud in the amount of five hundred and twenty dollars ($520.00) in compensatory damages.

3. Judgement shall be entered for plaintiff, Dr. Tronzo, on his claims for breach of a confidential relationship and for fraud in the amount of twenty million dollars ($20,000,000) in punitive damages.

4. The parties shall have ten days from the date of this order to file any motions regarding this order. Memoranda in support of said motions shall not exceed fifteen (15) pages.

5. Pursuant to Rule 58 of the Federal Rules of Civil Procedure, the Clerk of the Court is directed to prepare final judgment consistent with this order, but to forestall entry of judgment until further order of this court.

DONE and SIGNED in Chambers at West Palm Beach, Florida this 26th day of April, 1999.

/s/ Daniel T. K. Hurley
DANIEL T. K. HURLEY
UNITED STATES DISTRICT JUDGE

Copies provided to: L. Martin Reeder, Jr., Esq.
Donald R. Dunner, Esq.
Robert S. Hackelman, Esq.
Connis O. Brown III, Esq.

APPENDIX D

UNITED STATES COURT OF APPEALS
FEDERAL CIRCUIT

Nos. 97-1117, 97-1177 and 97-1213

DR. RAYMOND G. TRONZO,
Plaintiff-Appellee,

v.

BIOMET, INC.,
Defendant-Appellant.

Aug. 28, 1998
Rehearing Denied Oct. 19, 1998

Before RICH and NEWMAN, Circuit Judges, and ARCHER, Senior Circuit Judge.*

Opinion for the court filed by Senior Circuit Judge ARCHER. Concurring opinion filed by Circuit Judge NEWMAN.

ARCHER, Senior Circuit Judge.

Biomet, Inc. (Biomet) appeals the judgment of the United States District Court for the Southern District of Florida, 91-CV-8175, holding Biomet liable for infringement of U.S. Patent No. 4,743,262 ('262 patent) and, under Florida law, for breach of a confidential relationship and fraud. The court determined that claims 1, 2, 9, and 10 of the '262 patent were not invalid or unenforceable for inequitable conduct and that Biomet's device infringed claims 1 and 9 literally and claims

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* Senior Circuit Judge Glenn L. Archer, Jr. vacated the position of Chief Judge on December 24, 1997.

1, 2, 9, and 10 under the doctrine of equivalents. Because claims 1 and 9 are not entitled to the filing date of the '262 patent's parent application and are anticipated by intervening prior art, we reverse the district court's judgment that these claims are not invalid. Because infringement under the doctrine of equivalents would vitiate the conical limitation in claims 2 and 10, we reverse the district court's judgment of infringement as to these claims. Finally, because substantial evidence supports the jury's verdicts regarding the state law causes of action but the damages awarded thereunder are not commensurate with Dr. Tronzo's (Tronzo) injury, we affirm-in-part and vacate-in-part on those issues, and remand for reconsideration of damages.

BACKGROUND

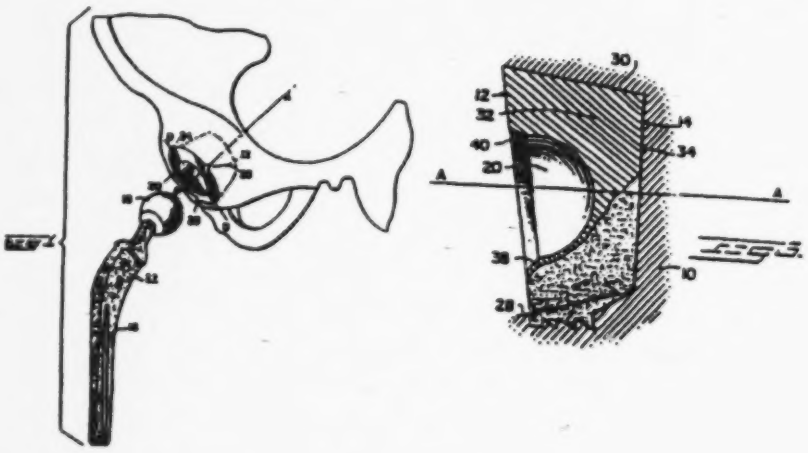
The patent and technology in this case relate to artificial hip sockets that include cup implants adapted for insertion into an acetabular, or hip, bone. The claims of the '262 patent at issue read:

> 1. An acetabular cup prothesis [sic] comprising a body extending generally longitudinally and terminating into front and rear surfaces, said front surface extending substantially transversely to said body; and at least one fin for securing said cup to a prepared acetabulum cavity, said fin having a length extending generally longitudinally from said front surface toward said rear surface continuously along said body throughout the entire length of said fin, and said fin being configured so as to extend radially outwardly beyond the perimeter of said front surface and said body so as to engage with the cavity thereby securing said cup.
>
> 2. An implant of claim 1, wherein the body has a generally conical outer surface.
>
> 9. An acetabular prosthesis consisting essentially of (1) a body extending generally longitudinally and terminating

into front and rear surfaces extending substantially transversely to said body; and (2) at least one fin for securing said cup to a prepared acetabulum cavity, said fin having a length extending generally longitudinally from said front surface toward said rear surface continuously along said body throughout the entire length of said fin, and said fin being configured so as to extend radially outwardly beyond the perimeter of said front surface and said body so as to engage with the cavity thereby securing said cup.

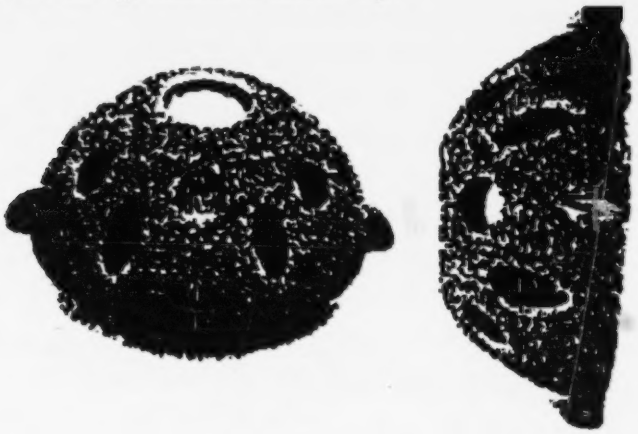
10. A prosthesis of claim 9, wherein the body has a generally conical outer surface.

Figures 1 and 3 of the '262 patent illustrate the preferred embodiment of the invention:



The cup 12 is inserted into a bore or hole 14 in the patient's hip bone 10. The cup has a plurality of longitudinally extended fins (24, 26, and 28) that allow the cup to grip beyond the bore 14 and to lock the prosthesis in place. Once the cup is in place, the fins provide additional resistance to the rotation of the cup and allow bony ingrowth into areas not necessarily found in other systems.

Pictured below is the accused Mallory/Head cup, DTX 469A, a hemispherical, finned cup.



On March 24, 1987, Tronzo filed the application that yielded the '262 patent as a continuation-in-part of an application filed on June 1, 1984, which issued as U.S. Patent No. 4,681,589 ('589 patent). The '262 patent issued to Tronzo on May 10, 1988. Subsequently, the '262 patent was twice reexamined at the Patent and Trademark Office, resulting in the confirmation of the patentability of the original claims and the addition of claims 9, 10, and 11.

Tronzo sued Biomet on April 25, 1991 for patent infringement and, under Florida law, for breach of a confidential relationship, fraud, and unjust enrichment. By special verdict, the jury found that the patent was entitled to the filing date of the '589 patent's application (the parent application), was not invalid, and was willfully infringed and that Biomet was liable under state law for breach of a confidential relationship, fraud, and unjust enrichment. The jury awarded Tronzo $3,805,000 for patent infringement; $4,757,000 in compensatory plus $15,000,000 in punitive damages for the breach of a confidential relationship; $7,134,000 in compensatory and $20,000,000 in punitive damages for fraud; and $4,750,000 in compensatory damages for unjust enrichment.

In accordance with the jury's findings on the patent issues, including willful infringement, the district court enhanced the damages for patent infringement by fifty percent, resulting in a total award of $5,707,500. *See* 35 U.S.C. § 284 (1994) (permitting enhancement of damages up to three times the amount assessed). The district court denied Biomet's motion for judgment as a matter of law (JMOL) on the patent issues. The court further determined that the patent was not unenforceable. Finally, the court granted Biomet's motion for JMOL with respect to the state law claims, dismissing with prejudice the unjust enrichment count and capping the total recovery available to avoid double recovery at $7,134,000 in compensatory damages and $20,000,000 in punitive damages.

DISCUSSION

We review a denial of a motion for JMOL *de novo* by reapplying the JMOL standard. *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821, 23 USPQ2d 1426, 1431 (Fed.Cir.1992); *see also* Fed. R. Civ. Proc. 50(b). Thus, we will reverse a denial of a motion for JMOL only if the jury's factual determinations are not supported by substantial evidence or the legal conclusions implied from the verdict cannot be supported in law by those findings. *See Kearns v. Chrysler Corp.*, 32 F.3d 1541, 1547-48, 31 USPQ2d 1746, 1751 (Fed.Cir.1994).

I.

For a claim in a later-filed application to be entitled to the filing date of an earlier application under 35 U.S.C. § 120 (1994), the earlier application must comply with the written description requirement of 35 U.S.C. § 112, ¶1 (1994). *See Lockwood v. American Airlines, Inc.*, 107 F.3d 1565, 1571, 41 USPQ2d 1961, 1965-66 (Fed.Cir.1997). Section 112, paragraph 1 requires that the specification "contain a written description of the invention, and of the manner and process of

making and using it ." [sic] To meet this requirement, the disclosure of the earlier application, the parent, must reasonably convey to one of skill in the art that the inventor possessed the later-claimed subject matter at the time the parent application was filed. *See Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563, 19 USPQ2d 1111, 1116 (Fed.Cir.1991); *see also Hyatt v. Boone*, 146 F.3d 1348, 1354-55, 47 USPQ2d 1128, 1132 (Fed.Cir.1998). A disclosure in a parent application that merely renders the later-claimed invention obvious is not sufficient to meet the written description requirement; the disclosure must describe the claimed invention with all its limitations. *See Lockwood*, 107 F.3d at 1572, 41 USPQ2d at 1966. Because the issue of whether the written description requirement has been satisfied is a question of fact, we must determine whether substantial evidence supports the jury's verdict that the requirement has been met. *See Wang Labs., Inc. v. Toshiba Corp.*, 993 F.2d 858, 865, 26 USPQ2d 1767, 1774 (Fed.Cir.1993).

Biomet asserts that claims 1 and 9 of the '262 patent are not entitled to the filing date of the parent application and consequently that intervening prior art anticipates these claims.[1] Specifically, Biomet argues that the '589 patent's specification describes only one cup—a conical cup—and thus does not provide sufficient support for claims 1 and 9, which are generic as to the shape of the cup. Thus, Biomet contends that claims 1 and 9 are not entitled to the benefit of the parent application's earlier filing date and are anticipated under 35 U.S.C. § 102(b) (1994) by intervening prior art, including Tronzo's British application which was published on December 4, 1985, more than one year before the filing of the CIP application resulting in the '262 patent, and which

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[1] Biomet concedes that claims 2 and 10 are adequately supported by the specification of the '589 patent and thus are entitled to the earlier filing date.

was the counterpart to his U.S. application that yielded the '589 patent.[2]

Tronzo responds that claims 1 and 9 are generic claims as to the shape of the cup and that the '589 patent's specification need only describe a sufficient number of species of cups to support the generic claim. Tronzo asserts that the '589 patent discloses six species of acetabular cup implants, which is sufficient support.

The patentee has conceded that intervening prior art would anticipate claims 1 and 9.[3] Thus, the only issue is whether claims 1 and 9 are entitled to the earlier filing date of the parent application. We conclude that substantial evidence does not support the conclusion that the '589 patent specification meets the written description requirement relative to claims 1 and 9 of the '262 patent. Accordingly, these claims are not entitled to the parent application's filing date.

The '589 patent describes the invention as a "trapezoid," a "truncated cone," or a cup of "conical shape." '589 Patent,

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[2] Biomet also asserts that intervening sales of the accused device should also constitute invalidating, intervening prior art. The district court, however, refused to consider this argument because Biomet had failed to timely raise it. Because Biomet has not demonstrated error in the district court's decision to bar the argument, we also do not reach this contention. *See Austin-Westshore Constr. Co. v. Federated Dep't Stores, Inc.*, 934 F.2d 1217, 1222 (11th Cir.1991); *see also Holmes v. United States*, 85 F.3d 956, 963 (2d Cir.1996).

[3] Although the basis of the patentee's concession of intervening prior art is not evident from the record, we note that the CIP application disclosed for the first time generically-shaped implant bodies. *See* '262 Patent, col. 5, ll. 30-31 (disclosing an implant body having "a spherical, conical, trapezoidal, or other suitable outer surface"); *id.* at col. 10, ll. 12-13 (disclosing an implant body having "a semi-circular external shape, or another suitable shape"); *see also Vas-Cath*, 935 F.2d at 1562, 19 USPQ2d at 1115; *In re Lukach*, 442 F.2d 967, 969-70, 169 USPQ 795, 797 (CCPA 1971).

col. 3, l. 63, col. 4, ll. 22-23. A reading of the specification demonstrates that these labels describe the *same* cup, and not three different species as asserted by Tronzo. Indeed, contrary to Tronzo's assertions, the '589 patent discloses only two species of cups: an "eccentric cup," which has a top lip shorter than the bottom lip, and a "true" cup, with all sides being equal. *See id.* at col. 5, ll. 3-10.

Moreover, the only reference in the '589 patent's specification to different shapes is a recitation of the prior art. *See id.* at col. 1, ll. 13-24 & 45-49. Instead of suggesting that the '589 patent encompasses additional shapes, the specification specifically distinguishes the prior art as inferior and touts the advantages of the conical shape of the '589 cup. *See, e.g., id.* at col. 3, ll. 63 ("Another extremely important aspect of the present device resides in the configuration of the acetabular cup as a trapezoid or a portion of a truncated cone."). Such statements make clear that the '589 patent discloses *only* conical shaped cups and nothing broader. The disclosure in the '589 specification, therefore, does not support the later-claimed, generic subject matter in claims 1 and 9 of the '262 patent.

The expert testimony offered at trial does not require a contrary conclusion. Tronzo's expert, Dr. Catanzaro, testified that hemispherical cups are disclosed in the '589 patent's specification, identifying two sections in the '589 patent supposedly making such a disclosure. As recognized by the district court, however, the first section referred to by Dr. Catanzaro as a sufficient disclosure served the narrow purpose of reviewing the prior art and did not describe the invention. *See id.* at col. 1, ll. 13-17. The second section identified by Dr. Catanzaro described "hemispheroidal" position maintaining devices, *see id.* at col. 1, ll. 46-52, but Dr. Catanzaro later conceded that this section did not refer to the shape of the patented cup.

Indeed, the district court recognized that "the written description in the parent '589 does not attempt to identify other, equally functional shapes or talk in terms of a range of shapes. . . ." The court concluded that "the narrow language of the '589 application cannot be said to disclose expressly either the particular hemispherical shape of the '262 claims or the entire genus of cups within which the conical cup of the '589 claims and the hemispherical cup of the '262 claims belong." The district court nevertheless determined that the jury's conclusion could be supported because the '589 patent's specification inherently contained a disclosure sufficient to meet the written description requirement of § 112, ¶ 1.

The only evidence claimed as supporting an inherent disclosure, however, is the testimony of Norman Torchin, another Tronzo expert. Torchin testified that when the inventor stated at column 4, lines 34-38 of the '589 patent that "[a]propos of this, the present concept or invention differs completely from the blades as shown, for example, in prior U.S. Pat. No. 3,840,904" the inventor meant that "the difference is in the blade as opposed to the structure of the cup, although [the inventor] does prefer the conical cup."

In order for a disclosure to be inherent, however, the missing descriptive matter must necessarily be present in the parent application's specification such that one skilled in the art would recognize such a disclosure. *See Continental Can Co. USA v. Monsanto Co.*, 948 F.2d 1264, 1268, 20 USPQ2d 1746, 1749 (Fed.Cir.1991). There is nothing in the '589 specification to suggest that shapes other than conical are necessarily a part of the disclosure. Indeed, as discussed above, the specification clearly suggests the contrary by asserting advantages of the conical shape over prior art shapes. The rationale of Tronzo's expert claimed to support inherency is not sufficient to support the generic claims in the '262 patent. *See In re MacLean*, 454 F.2d 756, 759, 172

USPQ 494, 497 (CCPA 1972) ("Certainly the single exemplary disclosure of using 93% by weight water in the liquid phase provides no support or description of the recited range 'preponderantly water,' i.e. anything above 50% by weight."). Torchin's testimony does not explain why a broader supporting disclosure is necessarily part of the '589 patent. We also agree that the district court properly rejected Torchin's reliance on an incorporation by reference of a prior Tronzo patent as supporting inherency.

Finally, relevant expert testimony of Biomet's witness, Dr. Hill, who testified that in his view as an orthopedic surgeon the '589 patent disclosed only a trapezoidal cup and nothing more is consistent with the express language in the '589 specification.

Accordingly, because the specification of the '589 patent fails to meet the written description necessary to support claims 1 and 9 of the '262 patent, these claims are not entitled to the filing date of the parent application and are invalid as anticipated by the intervening prior art.

II.

The remaining claims at issue, claims 2 and 10, were found to be infringed under the doctrine of equivalents. An accused device may infringe under the doctrine of equivalents only if it possesses all of the limitations of the relevant claim either literally or equivalently. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 117 S.Ct. 1040, 1054, 137 L.Ed.2d 146 (1997). Whether an element of the accused device is equivalent to a claim limitation depends on "whether the substitute element matches the function, way, and result of the claimed element, or whether the substitute element plays a role substantially different from the claimed element." *Id.* If a theory of equivalence would vitiate a claim limitation, however, then there can be no infringement under the doctrine of equivalents as a matter of law. *See id.* 117 S.Ct. at 1049, 1053 n. 8.

Biomet argues that infringement of claims 2 and 10 under the doctrine of equivalents by a hemispherical cup would vitiate the limitation requiring that the cup have a "generally conical outer surface." Tronzo responds that substantial evidence supports the jury's conclusion that a hemispherical shape is equivalent to a generally conical shape.

We are convinced that the evidence offered did not adequately establish legal equivalency of the hemispherical shape. While the evidence tended to demonstrate that the shape of the cup was irrelevant to achieving the desired result and that after successful implantation any shape would function essentially the same way, it also indicated that various shapes could produce "forces that might be different." Thus, Tronzo's expert, Dr. Catanzaro, testified that

> when either a hemispherical cup or trapezoidal cup *or any other shape* cup is successfully implanted into the body, it functions almost exactly the same way. Now, you can measure forces that might be different in various shapes, but don't forget, once these things are incorporated by the body, the body doesn't look at the shape of the cup, all it is looking at is a ball rotating inside a piece of plastic, because both these things are now part of the body.

(Emphasis added). This testimony as to function and way is merely conclusory on the legal issue to be decided. According to the expert testimony, *any* shape would be equivalent to the conical limitation of claims 2 and 10. Such a result is impermissible under the all-elements rule of *Warner-Jenkinson* because it would write the "generally conical outer surface" limitation out of the claims. *See* 117 S.Ct. at 1053 n. 8. Accordingly, the accused cup cannot infringe claims 2 and 10 under the doctrine of equivalents as a matter of law.

III.

At trial, the jury additionally found Biomet liable for fraud, and for breach of a confidential relationship, under Florida law. Under the fraud count, Tronzo asserted that Biomet had promised to pay Tronzo a royalty if he obtained a patent protecting his implant. Tronzo claimed detrimental reliance on this promise in pursuing patent protection and asserted that Biomet never intended to fulfill its promise. Tronzo thus contended that Biomet was liable for fraud. Under the breach of confidentiality count, Tronzo argued that Biomet disclosed his design to others in breach of a confidential relationship between himself and Biomet.

Biomet challenges the jury's verdict regarding liability and damages under these state law claims. As to liability, Biomet asserts a litany of challenges to the legal standards applied by the district court and to the adequacy of the evidence supporting the jury's factual determinations. We discern neither legal errors by the district court nor a lack of substantial evidence supporting the jury's verdict regarding liability.

Biomet also challenges the award of either a constructive trust of Biomet's profits or a reasonable royalty to Tronzo under the state law claims because, in Biomet's view, neither is causally related to Tronzo's actual injury. Tronzo responds that a constructive trust is an appropriate remedy under Florida law for either of the state law claims and that there is substantial evidence to support the jury's verdict under either theory.

In order for an award of damages to be proper, there must be some nexus between the damages claimed and the injury incurred. *See Rucker v. Garlock, Inc.*, 672 So.2d 100, 102 (Fla.Dist.Ct.App.1996). Under Florida tort law, the damages awarded should place the plaintiff in the position he would have been absent the tortious conduct. *See Phillips v. Ostrer*,

481 So.2d 1241, 1246 (Fla.Dist.Ct.App.1985); *Ashland Oil, Inc. v. Pickard*, 269 So.2d 714, 723 (Fla.Dist.Ct.App.1972); *see also* Restatement (Second) of Torts § 549 cmt. g (1977) ("[T]he purpose of a tort action is to compensate for the loss sustained and to restore the plaintiff to his former position, and not to give him the benefit of any contract he has made with the defendant.").

We conclude that the award of lost profits (as a constructive trust) or a reasonable royalty as damages for the torts asserted is inappropriate because it does not properly reflect Tronzo's actual injury. The district court noted, regarding the fraud claim, that

> [w]hile Biomet's argument that a patent is not a detriment has perhaps a superficial appeal, it neglects the costs to Dr. Tronzo of seeking his patent, defending it on re-examination, and of foregoing opportunities to pursue relationships with other companies or to pursue other means for bringing his acetabular cup to market.

While we agree with this characterization of the injury to Tronzo, such injury is not related to the lost profits damages awarded in this case. Nor do we see how, under the breach of confidentiality claim, Tronzo would have been injured in a way to entitle him to such damages. Instead, the award seems more akin to a remedy for breach of contract instead of either of the alleged torts. *See Ashland*, 269 So.2d at 723 ("[P]laintiffs recovered out-of-pocket expenses . . . plus loss of profits on their sales. *This would ordinarily be an impermissible double recovery*. However, such an award is permissible where plaintiffs pursue an action both for deceit and breach of contract.") (emphasis added).

Moreover, the use of a constructive trust is inappropriate in these circumstances. Generally, to impose a constructive trust, there must be an express or implied promise, a transfer of property in reliance thereon, a confidential relationship,

and unjust enrichment. *See Abreu v. Amaro*, 534 So.2d 771, 772 (Fla.Dist.Ct.App.1988). The purpose of this equitable remedy is both to prevent unjust enrichment and to restore property to its rightful owner. *See id.* Here, the only transfer of "property" that occurred in reliance on Biomet's promise was the transfer of information. The lost profits cannot properly be considered to be the rightful property of Tronzo—he never possessed such money or transferred it to Biomet. Thus, a constructive trust remedy is inappropriate in this case.[4]

We also note that upon the record before us there is no evidence to prove any of the costs and injuries incurred by Tronzo, such as the costs of prosecuting the patent and lost business opportunities. Thus, we remand to the district court to determine whether such evidence was presented and, if not, whether in the district court's discretion it would be appropriate to take new evidence in this regard.

CONCLUSION

We have considered Biomet's other arguments on appeal and find them without merit. We reverse the district court's judgment that claims 1 and 9 are not invalid and that claims 2 and 10 are infringed under the doctrine of equivalents. Given our conclusions regarding invalidity and noninfringement, we do not reach the issues of inequitable conduct or the invalidity of claims 2 and 10. We affirm the district court's judgment of liability under the state law claims but vacate and remand for the district court to determine an appropriate award of damages in accordance with this opinion.

AFFIRMED-IN-PART, REVERSED-IN-PART, VACATED-IN-PART AND REMANDED.

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[4] Additionally, such a remedy is only appropriate if there are no adequate remedies at law. *Bender v. Centrust Mortgage Corp.*, 51 F.3d 1027, 1030 (11th Cir.1995) (applying Florida law). In our view, allowing Tronzo to recover only his actual injuries will provide adequate redress.

PAULINE NEWMAN, Circuit Judge, concurring in the judgment.

I concur in the judgment that claims 1 and 9 of the '262 patent are invalid on the ground of obviousness, in view of the references to Deyerle and McBride. However, the panel majority has erred in its treatment, as "anticipating" prior art under section 102(b), of Dr. Tronzo's own British counterpart of his United States parent application. The disclosure in the British patent is identical to that of the earlier-filed United States parent application; nonetheless, the panel majority treats the British patent as invalidating prior art. However, the patentee is entitled to the benefit of the prior filing of the parent United States application for the subject matter contained therein. Without the improperly relied-upon British counterpart, the rejection based on "anticipation" can not stand.

A continuation-in-part application relates back to its parent's filing date for the common subject matter. Since the intervening publication of the common subject matter is antedated by the United States parent application, the British counterpart is neither an "anticipating" reference nor a statutory bar against the continuation-in-part application. The publication of the British counterpart of Dr. Tronzo's parent application does not deprive him of the benefit of the filing date of the parent application for the subject matter of the parent application.

The contrary holding of the panel majority will have a dramatic adverse effect on continuation-in-part practice. The ruling that the disclosure in an inventor's parent application becomes prior art against a continuation-in-part application, when it is published before the filing of the continuation-in-part application, is a new and pernicious burden on inventors who seek early entry into the patent system while continuing to investigate the subject of their invention.

The issue of relating back to a parent filing date is different from the issue of constructive reduction to practice of generic claims in the continuation-in-part. There is no issue in this case of determining priority of invention. The issue is whether a patentee can rely on the filing of subject matter in a parent application in order to predate the later publication of that subject matter. According to the court's ruling today, the patentee loses the entire benefit of that earlier filing whenever a continuation-in-part is filed with additional data and broadened claims based in part on that data. That is, the patentee's own prior disclosure now becomes prior art against him. That is new, and incorrect, law. A later publication can not "anticipate" what is already on file; to the contrary, the later publication is removed as a reference by the identical earlier filing in the United States.

The purpose of the continuation-in-part is to permit an applicant to add new information and data, while retaining the benefit of the original filing date for what was originally filed. Many applicants obtain foreign patents based on the original filing, because of the first-to-file rule in foreign countries and the comity rules of the Paris Convention; some countries publish patents within a few months of their filing. With the court's holding today, such foreign patents are a statutory bar if the continuation-in-part is filed more than a year after the publication of the foreign counterpart. Thus the patentee is deprived of the benefit of the earlier filing in the United States, whenever new matter and broader claims are added by continuation-in-part. This destruction of the continuation-in-part practice is contrary to law and to the public interest. Thus I must, respectfully, dissent from the reasoning relied on by the panel majority.

APPENDIX E

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

00-1007

DR. RAYMOND G. TRONZO,
Plaintiff-Appellant,

v.

BIOMET, INC.,
Defendant-Appellee.

March 28, 2001, Decided
March 28, 2001, Filed

NOTICE: DECISION WITHOUT PUBLISHED OPINION

OPINION: ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the APPELLEE,* and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on April 4, 2001.

Dated: March 28, 2001

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* The Appellee filed a reply to the Appellant's response.

I. ON FILED
AUG 27 2001

(2)

No. 01-172

IN THE

Supreme Court of the United States

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI

TO THE UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

MOTION FOR LEAVE TO FILE A BRIEF AS *AMICI CURIAE* AND BRIEF OF PAST PRESIDENTS OF THE FEDERAL CIRCUIT BAR ASSOCIATION AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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August 27, 2001

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IN THE

Supreme Court of the United States

No. 01-172

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

On Petition For Writ Of Certiorari

To the United States Court of Appeals

for the Federal Circuit

MOTION OF PAST PRESIDENTS OF THE FEDERAL CIRCUIT BAR ASSOCIATION FOR LEAVE TO FILE A BRIEF AS *AMICI CURIAE*

Past Presidents of the Federal Circuit Bar Association hereby request, pursuant to Rule 37 of the Rules of this Court, leave to file the accompanying brief as *amici curiae* in support of the Petitioner. The issues to be decided herein affect the interests of *amici*, as set forth in the accompanying brief.

The *amici* obtained the consent of the Petitioner Biomet, Inc., and this letter of consent has been filed with the Clerk of the Court. Respondent Raymond G. Tronzo has not responded to *amici's* repeated requests for consent to the submission of this brief in support of the Petition for Writ of Certiorari.

For the foregoing reasons, the Motion of the Past Presidents of the Federal Circuit Bar Association for Leave to File a Brief as *Amici Curiae* in support of the Petitioner should be granted.

Respectfully submitted,

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Dated: August 27, 2001

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IN THE
Supreme Court of the United States

No. 01-172

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

On Writ Of Certiorari

To the United States Court of Appeals

for the Federal Circuit

BRIEF FOR PAST PRESIDENTS OF THE FEDERAL CIRCUIT BAR ASSOCIATION AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

STATEMENT OF INTEREST OF AMICI CURIAE[1]

The *Amici Curiae* are five Past Presidents of the Federal Circuit Bar Association.[2] The Federal Circuit Bar Association, http://www.fedcirbar.org/, is a national organization of about 2,400 lawyers who practice before the United States Court of Appeals for the Federal Circuit.[3] *Amici* are active lawyers who continue to practice before the Federal Circuit and the district courts subject to its jurisdiction.

These Past Presidents, acting in their personal capacities, are filing this Amicus Brief on their own behalf because the decision below significantly affects the practice and procedure before the Federal Circuit and lower tribunals throughout the country whose decisions are appealed to the Federal Circuit. The new Federal Circuit surprise holding, regarding the effect of its mandate, also affects cases that may arise in state court, because state tribunals may decide to announce, in any case before them, that this new rule is a procedural bar to challenging the unconstitutionality of punitive damage ratios.

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[1] Pursuant to Supreme Court Rule 37.6, *Amici* state that none of the parties or their counsel authored this brief in whole or in part, and no person or entity other than *Amici* or counsel made any monetary contribution to the preparation or submission of the brief. Furthermore, pursuant to Supreme Court Rule 37.1, *Amici* refrain from reiterating points argued by Petitioner. In particular, *Amici* do not analyze the conflicts between *Tronzo II*, and other federal courts, although *Amici* agree with Petitioner's conclusion that there is a substantial conflict.

[2] Michael E. Dergosits, Roy E. Hofer, Jerald S. Howe, Jr., Ronald L. Smith, and Robert D. Wallick.

[3] The Association is an affiliated organization with the American Bar Association. The Association's leadership comes from all areas of the country and represents all areas of the Court's jurisdiction.

SUMMARY OF THE ARGUMENT

The Federal Circuit, in the words of Respondent, held that "a finding of tort liability alone is sufficient to support an award of punitive damages, even in the absence of nominal or compensatory damages,"[4] and that the appellate court may "affirm an award of punitive damages along with affirming tort liability, without regard to the amount of compensatory damages to be awarded on remand."[5] The Court should grant certiorari because that holding — affirming punitive damages without any judicial review of the ratio between punitives and compensatories — flies in the face of the due process principle articulated in *BMW of North America, Inc.* v. *Gore*, 517 U.S. 559 (1996), and related cases.

This decision invades substantive constitutional rights because it undermines the procedural protections of judicial review that the Supreme Court found so crucial in *Honda Motor Co., Ltd.* v. *Oberg*, 512 U.S. 415, 420 (1994) ("the availability of both 'meaningful and adequate review by the trial court' and subsequent appellate review" is constitutionally necessary); *id.* at 421 ("'procedural due process' requires judicial review of punitive damages awards for reasonableness.'") (quoting Scalia, J., joined by Thomas, J., concurring in the judgment in *TXO Prod. Corp.* v. *Alliance Resources Corp.*, 509 U.S. 443, 471 (1993)). This issue has importance far beyond the Federal Circuit because one or more other Courts of Appeal may adopt this new procedural rule announced for the first time by the Federal Circuit in this case. The decision below also affects the practice and procedure in the lower federal courts, no matter to which circuit appeal would lie.

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[4] Response of Plaintiff-Appellant to Defendant-Appellee's Petition for Rehearing, *Tronzo II*, at 9-10 (emphasis in original).

[5] Response of Plaintiff-Appellant to Defendant-Appellee's Petition for Rehearing, *Tronzo II*, at 9-10 (emphasis added).

The Federal Circuit created a new and surprising procedural rule, not reasonably anticipated by prior law, and this rule imposes an inhospitable forum to the assertion of important constitutional rights. In particular, the Federal Circuit changed the rules governing the effect of a mandate, so that the Federal Circuit now holds that a mandate forecloses not only the legal arguments that were decided (either expressly or by implication) or could have been decided in the prior appeal, but also forecloses a legal argument that could not have been raised at the time of the first appeal, because the factual predicate did not then exist and might not ever exist. Federal courts, like state courts, may not create surprise procedural rules that are not fairly anticipated from prior law when the result is to bar consideration of the merits of a constitutional claim.

In this case, the trial court, after conducting the hearing on damages required by *Tronzo I*, reduced compensatory damages from $7.13 million to $520; the trial court then reduced the punitive damages from $20 million (a ratio of 2.8 times the compensatories) to $52,000 (a ratio of 100 times the new compensatories), because the ratio of the original punitives to the new compensatories, violated due process "without question." *Tronzo* v. *Biomet, Inc.*, No. 91-8175-CIV, 1999 U.S. Dist. LEXIS 22433, at *9 (S.D. Fla. Aug. 27, 1999). *Tronzo II* held that when the Federal Circuit earlier vacated the judgment because of error in the award of compensatory damages, the mandate forbade the district court from determining the constitutionality of the punitive damage award in light of the new punitive/compensatory ratio. The Federal Circuit treated the ratio issue as ripe as of the time of the first appeal, before the compensatory damages were fixed. However, one cannot determine the ratio unless one first knows the divisor.

Federal courts, because of the "case or controversy" requirement of Article III and prudential rules of self-restraint, may not consider the question whether punitive damages bear

an unconstitutionally excessive ratio to the compensatory damages until that issue is ripe. The Federal Circuit, in *Tronzo I*, could not know what that ratio might be, because the compensatories could not be determined until after a remand and hearing before the trial court. Yet, *Tronzo II* ruled that its earlier mandate foreclosed consideration of this ratio issue, even though that issue was not ripe in *Tronzo I* because the factual predicate did not yet exist.

ARGUMENT

I. THE FEDERAL CIRCUIT HAS CREATED A SURPRISE PROCEDURAL RULING THAT PROVIDES AN INHOSPITABLE FORUM TO THE ASSERTION OF FEDERAL CONSTITUTIONAL RIGHTS.

The Court of Appeals, in *Tronzo II*, created a new rule that could not be anticipated from prior rulings in the Federal Circuit. The result of this ruling, not well grounded in the prior law, is to create a surprise procedural bar to the vindication of important federal constitutional rights.

The basic question is this: How does one complain that punitive damages are an unconstitutionally excessive multiple of compensatory damages—how does one raise this ratio issue—before one knows what the compensatory damages are?[6]

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[6] The Petitioner implicitly reserved the right to raise the ratio issue if, after the remand, the factual predicate came into being. In fact, the Petitioner twice stated that the punitive award was directly tied to the compensatory award, noting (in identical language) that if the then-existing compensatory award was overturned, then Respondent "can recover neither the compensatory damages nor the punitive damages." *Tronzo I*, Biomet Brief, at 42, n.9; *Tronzo I*, Biomet Reply Brief at 23-24 n.16. Of course, at that time, no one could specifically argue that the punitives were unconstitutional because they were 38,000 times more than the compensatories, for the simple reason that, at the time of *Tronzo I*, the

Tronzo II's new mandate rule creates a Catch-22 procedural bar for parties who object to punitive damages on the grounds that the ratio between punitives and compensatories is grossly disproportionate. Before the mandate in *Tronzo I*, this ratio argument did not exist and so could not be raised; after the mandate and new hearing, the ratio argument finally came into being, but could not be raised because it was foreclosed by the mandate: Catch-22.

It is important to realize what is not at issue in this case. The general rule is that the mandate from the court of appeals forecloses: (1) the legal issues that the appellate court decided expressly; (2) the legal issues that the appellate court decided by necessary implication; and (3) the legal issues that could have been raised in the appeal but were not raised. What *Tronzo II* adds to this litany — and this is the crux of the case — is a new and unexpected mandate foreclosure rule: it provides that the mandate forecloses a legal argument (the ratio issue) that could not have been raised at the time of the first appeal, because the factual predicate (the excessive ratio) did not then exist and might not ever exist.

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punitives were only 2.8 times the compensatories. Nor could the Federal Circuit, in *Tronzo I*, rule on whether the 38,000 ratio was unconstitutional, because no one knew before the hearing that the ratio, after the new hearing, would be 38,000 times the compensatories. Consequently, this is not a case where petitioner, in *Tronzo I*, waived the right to object to the punitive damage ratio.

Moreover, the standard principle is that a waiver is a "voluntary relinquishment of some known right," *e.g.*, *Hicks* v. *Talbott Recovery Sys.*, 196 F.3d 1226, 1238 (11th Cir. 1999); *Rush* v. *United States*, 33 Ct. Cl. 417, 1898 U.S. Ct. Cl. LEXIS 44, at *12 (Ct. Cl. May 23, 1898) ("waiver must be a voluntary relinquishment of a known right"). One normally waives by saying that one waives the right. Hence, respondent and the Federal Circuit must be arguing that petitioners "forfeited" the right to challenge the punitives. But that argument merely raises (and does not answer) the question of why the law should provide that a litigant has "forfeited" the right to object to punitives as an excessive multiple of compensatories at a time when the factual predicate for that argument does not exist, and might never exist.

The Federal Circuit confused two different points that the trial court correctly distinguished. The mandate may have foreclosed Petitioner from challenging Respondent's entitlement to some punitive damages, but not the constitutional excessiveness, i.e., the ratio, because that issue could not arise until after the trial court reduced the compensatory damage award to $520.[7]

Punitives are not, in a constitutional sense, grossly disproportionate to compensatory damages when the ratio is 2.8 to 1, which was ratio at the time the mandate issued in *Tronzo I*. After remand and a new hearing, the trial court reduced the compensatory damages, so that the ratio between the new compensatory damages and the old punitive damages became 38,000 to 1. One could not know, before the hearing, that this new ratio would come into being. (If one would know that, there would be no need to order a hearing.) Only when the ratio changed to 38,000 to 1 did a new issue arise: whether the punitives were unconstitutionally disproportionate to the compensatories. Yet, at the very point where the ratio argument becomes ripe, *Tronzo II* holds that it is barred, because it came too late.

In other words, one cannot attack a punitive damage award on the particular ground that it is grossly disproportionate to the compensatory damages unless one first knows what the compensatory damages are. When *Tronzo I* issued its mandate, the punitives were 2.8 to 1, and the ratio was not constitutionally disproportionate. After remand, when the trial court conducted a new hearing in light of the mandate, the trial court reduced the damages from over $7 million to $520, so the new ratio became 38,000 to 1. *Tronzo II* then

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[7] *Tronzo* v. *Biomet, Inc.*, 1999 U.S. Dist. LEXIS 22433, at *4. If the trial court had taken new evidence (as the mandate allowed), the jury could have decided the factual questions, pursuant to the dictates of the Seventh Amendment, and that jury would have decided both the compensatory damages and the punitive damages.

created an unanticipated procedural hurdle to challenge punitives, holding, in effect, that one cannot challenge the punitive ratio after remand unless one had first challenged the ratio prior to remand, at a time when the ratio was not unconstitutional.

This procedural obstacle, which was not reasonably foreseen, is analogous to the unforeseen procedural obstacle that the Court invalidated in *Reich* v. *Collins*, 513 U.S. 106 (1994). In 1989, the Supreme Court declared unconstitutional a Georgia law that that imposed state income taxes on federal retirement benefits but not on state retirement benefits. 513 U.S. at 108. The following year, Reich, a retired federal military officer and Georgia taxpayer, sued in state court for a refund of taxes paid pursuant to this unconstitutional statute. *Id.* The Georgia Supreme Court denied a refund, arguing that Reich only had a predeprivation remedy; he should have withheld the contested tax assessments and sued before paying them. *Id.* at 110. The unanimous Court, in *Reich*, reversed. *Id.* at 114. Due process allows a state to have a special procedure, such as an exclusively predeprivation remedy, as long as it is "clear and certain." *Id.* at 110-11. Or, the state could provide an exclusively postdeprivation process, or a hybrid, or change the remedial scheme over time. *Id.* at 111. "But what a State may not do, and what Georgia did here, is to reconfigure its scheme, unfairly, in midcourse . . . ." *Id.* The Court examined prior Georgia procedures on remedies and concluded that "no reasonable taxpayer would have thought that they represented, in light of the apparent applicability of the refund statute, the exclusive remedy for unlawful taxes." *Id.*

That is also true here. Even the trial judge did not know of this new mandate rule that prevented him from considering the constitutionality of the punitive damage ratio. The trial judge, who was intimately familiar with the case, did not think that the mandate decided an issue that did not (and could not) exist until after his hearing, when the compensatory damages

were substantially reduced. This fact is reflected not only in his actions (he interpreted the mandate to allow him to apply *BMW* and interpreted *BMW* to require him reduce the punitives) but also in his express ruling that "the due process issue regarding the $20 million punitive award did not come into being until this court entered its award reducing the compensatory damage award to $520. Biomet could not have waived, and this court could not have considered, the excessiveness issue before the compensatory award was reduced." *Tronzo* v. *Biomet, Inc.*, 1999 U.S. Dist. LEXIS 22433, at *4.[8]

Hence, in light of *BMW*, the trial judge reduced the punitives from a ratio of 38,000 to 1 to a ratio of 100 to 1.[9] This amount, $52,000, is hardly miserly or parsimonious; indeed, *BMW* noted that the Justices in the past have expressed concern that even a ratio of more than 4 to 1 "might be 'close to the line,' [but] it did not 'cross the line into the area of constitutional impropriety.'"[10]

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[8] Petitioner is "foreclosed from challenging Dr. Tronzo's entitlement to punitive damages, [but not] the issue of constitutional excessiveness [because that] did not arise until the court reduced the compensatory damage award to $520." 1999 U.S. Dist. LEXIS 22433, at *4.

[9] The trial court applied *BMW* and held: "without question the $20 million punitive award in this case does not bear a reasonable relationship to the $520 compensatory award and, therefore, it must be reduced." 1999 U.S. Dist. LEXIS 22433, at *9.

[10] *BMW*, 517 U.S. at 581 (quoting *Pacific Mutual Life Ins. Co.* v. *Haslip*, 499 U.S. 1, 23-24 (1991)). *BMW* also noted that even though the majority in *Silkwood* v. *Kerr-McGee Corp.* did not address the size of the punitive damage award, Justice Blackmun, joined by Justice Marshall, dissenting, "commented on its excessive character, noting that the '$10 million [punitive damages award] that the jury imposed is 100 times greater than the maximum fine that may be imposed . . . for a single violation of federal standards' and 'more than 10 times greater than the largest single fine that the Commission has ever imposed.'" *Id.* at 584 (quoting *Silkwood* v. *Kerr-McGee Corp.*, 464 U.S. 238, 263 (1984) (Blackmun, J., dissenting, joined by Marshall, J.)).

Reich is an example of the rule requiring "adequate and independent" state grounds before a court can use a procedural rule to bar consideration of a federal claim. Under this principle, "in order that the constitutional mandate may not become a dead letter," the federal court conducts its own independent "appraisal" of the state case law and rules ("we are bound to decide for ourselves") to see if the state ruling on procedure came as a surprise or is fairly grounded in prior law. *Indiana ex rel. Anderson* v. *Brand*, 303 U.S. 95, 100 (1938).

Yet, there is no reason why this principle must be limited to state courts. Lower federal courts, no less than state courts, are not supposed to provide an inhospitable forum for the vindication of federal rights. No federal court, creating a new procedural rule that is neither well grounded nor reasonably anticipated in the prior case law, should be able to preclude a litigant from raising a substantial federal constitutional claim.

That is what happened here. The Federal Circuit has promulgated a rule that gives its mandates a broader preclusive effect than the mandates from other courts of appeals. Similarly, there is no prior case law in the Federal Circuit that provides that the mandate precludes the lower court from considering issues that could not have been raised in the appeal because they were not yet ripe; the argument that the punitives were unconstitutional because of the excessive ratio to the compensatory damages is an argument that could not come into being unless the trial court, after the mandate issues, first finds that the compensatory damages must be substantially reduced.

This Court has warned that "[j]udicial review of the amount [of punitive damages] awarded" is an important procedural safeguard given the fact that "[p]unitive damages pose an acute danger of arbitrary deprivation of property." *Honda*

Motor Co., Ltd. v. *Oberg*, 512 U.S. 415, 432 (1994).[11] In this case, the Federal Circuit's new mandate rule — imposed, not by changing the appellate rules after notice and comment, but as a surprise in the very first case that raised the issue — turns that principle on its head. If this procedural surprise is permissible, we may expect to see some state courts adopting similar procedural surprises and thus undermining the procedural protections so important when dealing with punitive damages.

Consider the case where a criminal defendant appeals his conviction on an issue, and the appellate court orders a remand for a new trial. Let us assume that the defendant is again convicted and his new appellate lawyer argues that defendant's second trial lawyer acted so incompetently that his representation violated the defendant's right to competent counsel. We would not expect the trial or appellate court to rule that arguing this new issue was contrary to the mandate because it should have been raised earlier: it could not have been raised earlier because it did not exist earlier. So, too, with the argument that the punitive ratio was too disproportionate to the compensatory damages; the ratio was not excessively disproportionate until after the trial court's decision, after the hearing and ruling on remand, to change the compensatories.

The mandate rule in this case may be compared to a similar procedural rule, "the law of the case," which states, in general, that the decision, judgment, or rulings on the former appeal become the "law of the case," and the court will refuse to

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[11] The importance of procedural safeguards explains *Cooper Indus., Inc.* v. *Leatherman Tool Group, Inc.*, 121 S. Ct. 1678 (2001). Stevens, J., for the Court, held that the court of appeals should apply a de novo standard of review (rather than the less-demanding, "abuse of discretion" standard) when reviewing the district court's determination of the constitutionality of punitive damage awards. *Id.* at 1689.

reopen what has been decided as between the parties.[12] The Supreme Court most recently considered the preclusive effect of "law of the case" in *United States* v. *Hatter*, where the Court held that the Compensation Clause of Article III prevents the Government from collecting Social Security taxes (but not Medicare taxes) from federal judges who held office before Congress extended those taxes to federal employees. 121 S. Ct. 1782, 1797 (2001). The Respondents argued that the "law of the case" doctrine prevented the Court from considering the scope of the Compensation Clause because "the Government presented that same question in its petition from the Court of Appeals' earlier ruling on liability," and the Supreme Court's earlier denial of that petition for lack of a quorum had the "same effect as" an affirmance "by an equally divided court." *Id.* at 1789 (quoting 28 U.S.C. § 2109). Respondents then argued that the "affirmance by an equally divided Court is 'conclusive and binding upon the parties as respects that controversy.'" *Id.* (citing *United States* v. *Pink*, 315 U.S. 203, 216 (1942)).

Hatter rejected that argument because "The law of the case doctrine presumes a hearing on the merits." *Id.* at 1790. In *Hatter*, there had been no previous consideration of the merits, so "law of the case" was inapplicable.

Similarly, in the instant case, the Federal Circuit, at the time of *Tronzo I*, could not consider the merits of an issue that did not yet exist — the punitive/compensatory ratio — at a time when the amount of compensatories was unknown, because the amount would only be determined after remand and a hearing.

Assume that defendant moves to dismiss a portion of plaintiff's cause of action because it is based on an allegedly unconstitutional statute. The state trial court refuses to grant

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[12] In *Tronzo II*, the Federal Circuit noted the relationship between the mandate rule and the "law of the case." 236 F.3d at 1348.

the motion, and the defendant files an interlocutory appeal. The state supreme court rules against defendant and remands for trial. Assume further that this Court does not review the case at this point because there is no final judgment. After trial, defendant then appeals again to the state supreme court, which refuses to reach the federal issue because of the procedural bar, "law of the case," caused by its decision in the earlier case. Defendant would not be foreclosed from review in the this Court because it never had the opportunity to decide the question on the merits.

For similar reasons, the Federal Circuit never had the opportunity to rule on the merits of a question that could only be raised for the first time at the trial level, after the remand and hearing in *Tronzo I*. Under the Federal Circuit's original mandate, the trial court also never had an opportunity to rule on the constitutionality of the punitive/compensatory ratio, for the simple reason that no one knew what the ratio would be until after the hearing following *Tronzo I*.

II. FEDERAL COURTS, BECAUSE OF THE "CASE OR CONTROVERSY" REQUIREMENT OF ARTICLE III, AND BECAUSE OF PRUDENTIAL SELF-RESTRAINT MAY NOT DECIDE A CONSTITUTIONAL ISSUE IF THE MATTER IS PREMATURE OR NOT RIPE

Just as a case can be brought too late, and thereby be moot, it can be brought too early, and not yet be ripe for adjudication. Because of the "case or controversy" requirement in Article III, augmented by the principle of judicial self-restraint, federal courts may not decide legal issues that are not yet ripe. Until the controversy becomes concrete and focused, it is difficult for the Court to evaluate the practical merits of the position of each party. In the case of the punitive to compensatory ratio, it should be clear that this ratio question is not ripe until one first knows what the ratio is. In *Tronzo I*, the Federal Circuit could not know what

the ratio would be, because it would not be determined until there was a remand and hearing in the trial court.

Consider, for example, *Int'l Longshoremen's & Warehousemen's Union, Local 37* v. *Boyd*, 347 U.S. 222 (1954). Appellants (the union and several alien members) sued to enjoin INS officials from construing § 212(d)(7) of the Immigration and Nationality Act to treat aliens domiciled in the continental United States returning from temporary work in Alaska as if they were aliens entering the United States for the first time. *Id.* at 222-23. Appellants also argued if the statute meant that, it would be unconstitutional. *Id.* at 223. It was stipulated that the union had over 3,000 members who work every summer in the herring and salmon canneries of Alaska, that some of these are aliens, and that if alien workers going to Alaska for the 1953 canning season were excluded on their return, their "contract and property rights [would] be jeopardized and forfeited." *Id.*

The Supreme Court held (7 to 2)[13] that the lower court should not have reached the statutory and constitutional questions because they were not yet ripe:

> Appellants in effect asked the District Court to rule that a statute the sanctions of which had not been set in motion against individuals on whose behalf relief was sought, because an occasion for doing so had not arisen, would not be applied to them if in the future such a contingency should arise. That is not a lawsuit to enforce a right; it is an endeavor to obtain a court's assurance that a statute does not govern hypothetical situations that may or may not make the challenged statute applicable. Determination of the scope and constitutionality of

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[13] Only Justice Black, joined by Justice Douglas, dissented, but they agreed with the principle: "Of course federal courts do not pass on the meaning or constitutionality of statutes as they might be thought to govern mere 'hypothetical situations.'" 347 U.S. at 224 (Black, J., joined by Douglas, J., dissenting).

> legislation in advance of its immediate adverse effect in the context of a concrete case involves too remote and abstract an inquiry for the proper exercise of the judicial function.

Id. at 223-24.

This ripeness principle is directly analogous to this case. The Federal Circuit's new mandate rule requires petitioners to ask the Federal Circuit to rule (at the time it decided *Tronzo I*) that, if a certain occasion that has not yet arisen and may never arise, does arise (i.e., if compensatories are lowered a certain amount after a new hearing following the remand, and if the case is not settled), then punitive damages would be unconstitutional if the lower court decided, after a hearing, that compensatories were $X, but the punitives would be constitutional if the hearing determines that compensatories were $ X+1, after taking into account the lower court's rationale (which it had not yet articulated) and the other evidence that the lower court might decide is relevant and useful. To paraphrase *Boyd*, "Determination of the scope and constitutionality of [the punitive damages ratio] in advance of its immediate adverse effect in the context of a concrete case involves too remote and abstract an inquiry for the proper exercise of the judicial function." See *id.* at 224.

If one has to argue every "contingent" argument on appeal, e.g. if compensatories are cut substantially, the courts of appeal will be inundated with multiple hypothetical arguments. Although the judges of the Federal Circuit have consistently decried that kind of appellate advocacy, the Federal Circuit's new and unexpected procedural rule mandates that kind of advocacy.

Consider also *United Public Workers* v. *Mitchell*, 330 U.S. 75 (1947). The plaintiffs claimed that a provision of the Hatch Act was unconstitutional. *Id.* at 81-82. It provided that "no officer or employee in the executive branch of the Federal Government . . . shall take any active part in political

management or in political campaigns." *Id.* at 82. But only one plaintiff had actually violated the provision and the rules promulgated under it. *Id.* at 91 – 92. As to the plaintiffs who had not been charged with violations, the Supreme Court found the issues not ripe for adjudication:

> A hypothetical threat is not enough. We can only speculate as to the kinds of political activity the appellants desire to engage in or as to the contents of their proposed public statements or the circumstances of their publication . . . . Should the courts seek to expand their power so as to bring under their jurisdiction ill-defined controversies over constitutional issues, they would become the organ of political theories.

Id. at 90–91

At the time of *Tronzo I*, any constitutional argument based on the ratio of punitive damages to the ultimate award of compensatory damages was hypothetical. The factual issues that would make the claim ripe did not yet exist (and might not ever exist, depending on what happened at the hearing). The litigants and the court of appeals could "only speculate at to the kinds" of punitive damage ratios that might be unconstitutional, in light of what the district court might do, after a new hearing. See *id.* 90. Article III courts may not "expand their power so as to bring under their jurisdiction ill-defined controversies over constitutional issues." *Id.* at 89–91.[14]

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[14] In light of the holdings in cases like *Mitchell* and *Boyd*, there is also the risk that a court might impose sanctions for a frivolous motion on a litigant who asked an appellate court, at the time of *Tronzo I*, to rule on the constitutionality of a hypothetical ratio between the punitives and the compensatories before the trial court even held a hearing to decide what the compensatories might be.

CONCLUSION

Respondent argues that it is appropriate for an appellate court to hold that "a finding of tort liability alone is sufficient to support an award of punitive damages, even in the absence of nominal or compensatory damages," and also that "it has become accepted practice in the Eleventh Circuit, in cases applying Florida law, to affirm an award of punitive damages along with affirming tort liability, without regard to the amount of compensatory damages to be awarded on remand."[15] We know that this practice now exists in the Federal Circuit. If it exists elsewhere, it pays no heed to the due process principle articulated in *BMW* and its progeny.

For that reason alone, as well as the foregoing reasons, *Amici Curiae*, Former Past Presidents of the Federal Circuit Bar Association, respectfully request that this Court grant the Petition for Writ of Certiorari, so that courts no longer affirm an award of punitives "without regard to the amount of compensatory damages to be awarded on remand."

Respectfully submitted,

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[15] Response of Plaintiff-Appellant to Defendant-Appellee's Petition for Rehearing, *Tronzo II*, at 9-10 (emphasis in original).

Supreme Court, U.S.
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No. 01-172

In the Supreme Court of the United States

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AS AMICUS CURIAE IN SUPPORT OF PETITIONER

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BRIEF FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AS AMICUS CURIAE IN SUPPORT OF PETITIONER

INTEREST OF THE AMICUS CURIAE

The Chamber of Commerce of the United States of America ("the Chamber") is the nation's largest federation of business companies and associations, with underlying membership of more than 3,000,000 businesses and professional organizations of every size, in every business sector, and from every geographic region of the country. An important function of the Chamber is to represent the interests of its members by filing amicus curiae briefs in cases involving issues of concern to American business. The Chamber's members have a strong interest in this case both because the Federal Circuit's inflexible application of the "mandate rule" creates an unfair trap for the unwary that is likely to ensnare all manner of future litigants and because, in the process of justifying its refusal to make a prudential exception to the mandate rule, the Federal Circuit eviscerated the guideposts established in *BMW of North America, Inc. v. Gore,* 517 U.S. 559 (1996), for reviewing punitive damages awards for excessiveness.[1]

ARGUMENT

No one can deny that a grave injustice has been done in this case. If the judgment of the Federal Circuit is permitted to stand, petitioner will be mulcted to the breathtaking tune of $20 million for committing a tort that caused a mere $520 in damage to respondent. Petitioner is going to be subjected to this massive confiscation of property not because "a particularly egregious act has resulted in only a small amount

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[1] The parties have consented to the filing of this brief; the written consents have been lodged with the Clerk of the Court. Pursuant to Rule 37.6, amicus states that no counsel for a party authored this brief in whole or in part, and no person or entity other than amicus, its members, or its counsel made any monetary contribution to the preparation or submission of this brief.

of economic damages" (*BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 582 (1996)), but rather because of the combination of a crabbed application of the "mandate rule" and a cavalier application of the *BMW* guideposts in the context of a holding that a 99.99% reduction of the compensatory damages — from $7,134,000 to $520 — did not constitute a change of circumstances sufficient to justify departure from the mandate rule. Review is warranted both to ensure that the lower federal courts do not lose sight of their overriding obligation to avoid injustice when applying the mandate rule and other prudential doctrines and to prevent erosion of the *BMW* guideposts.

1. Although it is beyond peradventure that this Court does not sit simply to correct error, it is equally clear that the Court has an obligation to supervise the lower federal courts to ensure that they do not overstep their powers or otherwise become instruments of injustice.[2] That role is particularly important in an era of burgeoning litigation, in which appellate courts are tempted to cut corners in an effort to keep up with their case loads — invoking such doctrines as waiver, law of the case, and the mandate rule to pretermit consideration of issues on their merits.

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[2] *See, e.g., Caterpillar Inc. v. Lewis*, 519 U.S. 61, 67 (1996) (certiorari granted to review court of appeals' decision vacating a judgment entered after years of litigation and a six-day trial on account of a jurisdictional defect that had been cured by the time of trial); *New York City Transit Auth. v. Beazer*, 440 U.S. 568, 570-571 (1979) (certiorari granted because of "[t]he departure by [the district court and court of appeals] from the procedure normally followed in addressing statutory and constitutional questions in the same case, as well as concern that the merits of these important questions had been decided erroneously"); *Thermtron Prods., Inc. v. Hermansdorfer*, 423 U.S. 336, 340-342, 353 (1976) (certiorari granted to review court of appeals' refusal to grant mandamus in case that district court had "refused to adjudicate" and instead had remanded to state court "on grounds not authorized by the removal statutes"). *See generally* ROBERT L. STERN ET AL., SUPREME COURT PRACTICE § 4.15, at 191-192 (7th ed. 1993).

The present case is a particularly egregious example of the exaltation of rigid formality over fundamental fairness. Confronted with stringent limits on the length of its appellate brief and an extraordinarily complex array of issues, petitioner made the judgment call in its first appeal not to waste precious space arguing that the punitive award, which then was only 2.8 times the compensatory damages, was unconstitutionally excessive.[3] Instead, it stated in footnotes that, in the event the Federal Circuit were to conclude that respondent had failed to prove damages, both the compensatory damages and the punitive damages should fall. *See* Pet. 6 (quoting from petitioner's opening and reply briefs in first appeal). Evidently having no inkling that a court would subsequently hold the preservation of contingent arguments to have been necessary, petitioner did not include in these footnotes the additional contention that, should the Federal Circuit conclude that some of respondent's claims could not stand and should it therefore remand for a redetermination of compensatory damages, it should also remand for a determination of whether the punitive damages had become unconstitutionally excessive in light of the reduced number of claims for which petitioner was legally liable and the reduced amount of compensatory damages.

Although the Federal Circuit's mandate — which "vacate[d] and remand[ed] for the district court to determine an appropriate award of damages in accordance with [the court's] opinion" (Pet. App. 46a) — would appear broad enough to

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[3] In making this point, we by no means intend to suggest that the existence of a low ratio necessarily immunizes a multimillion dollar punitive award from constitutional scrutiny. Our point is simply that petitioner should not be saddled with a manifestly unconstitutional punishment merely because it made a judgment call that, ***under the facts in existence at the time of the first appeal,*** its scarce space would be better devoted to arguments pertaining to liability and the amount of compensatory damages (which wound up resulting in the elimination of all but $520 of the original $7,134,00 in compensatory damages).

authorize the district court to evaluate the punitive damages for excessiveness in light of the dramatically reduced compensatory award, the Federal Circuit held that petitioner waived any right to challenge the amount of punitive damages by failing expressly to ask for the punitive damages to be vacated and remanded in the event the compensatory damages were vacated and remanded. "Because Biomet failed to raise this issue," the court held, "our mandate in *Tronzo I* acted to prevent Biomet from raising this issue on remand or in any future proceedings in this litigation." *Id.* at 11a.

In short, the Federal Circuit held that petitioner's failure to foretell with a seer's prescience all possible contingencies (and to squeeze all of those contingencies into a brief of restricted length) was a waiver that then became embedded in cement by virtue of the mandate rule.[4] In so doing, it left standing a punitive award that no one conceivably could believe to be constitutional after *BMW* and *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*, 121 S. Ct. 1678 (2001) — one that is more than 380 times the amount that the district court believed to be the constitutional maximum.

Without intending any disrespect for the Federal Circuit, this kind of wooden application of waiver principles and the

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[4] Notably, the Federal Circuit cited no authority for the proposition that contingent issues must be raised before they have ripened on pain of being denied the right to raise them if and when they ever do ripen. Instead, it concluded that, because Biomet challenged the punitive damages in its post-verdict motions, nothing prevented it from challenging them on appeal. Pet. App. 10a-11a. This rationale erroneously conflates two different arguments. The argument made in post-trial motions was that, even though they were less than three times the compensatory damages, the punitive damages were excessive. Biomet elected not to raise that argument on appeal and hence undeniably waived it. But that argument is materially different from an argument that a punitive award that is over 38,000 times the compensatory damages is unconstitutionally excessive. The latter argument plainly was not ripe until after the compensatory damages were reduced on remand.

mandate rule is utterly irreconcilable with the obligation of the federal courts to do justice. Review is warranted to remind the courts of appeals of this Court's long-standing teaching that the mandate rule (and like prudential doctrines) must not be applied "***in a manner to cause injustice.***" *Story v. Livingston*, 38 U.S. (13 Pet.) 359, 373 (1839) (emphasis added).

2. The Federal Circuit acknowledged, as it had to, that the mandate rule is not "an unassailable limit on an appellate court's jurisdiction" and that "a substantial change in the evidence" could justify "revisiting issues otherwise foreclosed." Pet. App. 12a-13a. Astonishingly, however, the court did not regard a 99.99% reduction of the compensatory damages to constitute a sufficiently "substantial" change. The court was able to reach that surprising conclusion only by misapplying (if not outright defying) the *BMW* guideposts in a manner that threatens to render *BMW* a dead letter in the Federal Circuit and create problematic precedent elsewhere.

As its principal justification for refusing to regard a 99.99% reduction of the compensatory damages as a substantial change, the Federal Circuit stated that the most important guidepost is the degree of reprehensibility of the conduct (Pet. App. 13a-14a) and observed that "Biomet never challenged on appeal the jury's finding of wanton or willful conduct in support of punitive damages liability" (*id.* at 14a). The suggestion that conduct that was sufficient to clear the threshold for imposition of punitive damages is also sufficient to justify a $20 million exaction that is more than 38,000 times the compensatory damages simply cannot be squared with *BMW*. In that case, the defendant did not and could not challenge in this Court the jury's finding that its conduct was "'gross, oppressive or malicious'" (*BMW*, 517 U.S. at 565) and hence subject to punitive damages. Nevertheless, this Court held: "That conduct is sufficiently reprehensible to give rise to tort liability, and even a modest award of exemplary damages does not establish

the high degree of culpability that warrants a substantial punitive damages award." *Id.* at 580. Because the record disclosed "none of the aggravating factors associated with particularly reprehensible conduct" (*id.* at 576), the Court was "persuaded that BMW's conduct was not sufficiently reprehensible to warrant imposition of a $2 million exemplary damages award" (*id.* at 580). The Federal Circuit's reliance on the jury's finding of the conduct necessary for the imposition of punitive damages — and nothing more — is an egregious departure from *BMW* that should be swiftly renounced before it takes hold elsewhere.

As a second justification for declining to find the 1,373,526% increase in the ratio of punitive to compensatory damages to be a substantial change, the Federal Circuit stated that "there is a strong suggestion in the record that the potential compensatory damages may have been much higher than what was actually awarded." Pet. App. 14a. The Federal Circuit's reliance on "potential harm" is utterly misplaced and cannot be squared with this Court's treatment of the concept in *TXO Production Corp. v. Alliance Resources Corp.*, 509 U.S. 443 (1993), *BMW*, and *Cooper*.

Most fundamentally, this Court consistently has used the term "potential harm" to refer to harm that was intended by the defendant but fortuitously did not occur.[5] The Federal Circuit

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[5] *See, e.g., Cooper*, 121 S. Ct. at 1688 ("In evaluating the second *Gore* factor, the ratio between the size of the award of punitive damages and the harm caused by Cooper's tortious conduct, the District Court might have been influenced by respondent's submission that it was not the actual injury — which the jury assessed at $50,000 — that was relevant but rather 'the potential harm Leatherman would have suffered had Cooper succeeded in its wrongful conduct.'") (quoting Brief for Respondent at 7); *BMW*, 517 U.S. at 581 ("in upholding the $10 million award in *TXO*, we relied on the difference between that figure and the harm to the victim that would have ensued if the tortious plan had succeeded"); *TXO*, 509 U.S. at 460 ("It is appropriate to consider the magnitude of the potential harm that the

turned the concept upside down and inside out by using it as a justification to hypothesize the existence of injury that may have occurred but that respondent's counsel elected for "strategic" reasons not to attempt to prove. *See* Pet. App. 14a ("competent evidence of damages may have existed, but was never introduced"). The fact that respondent could potentially have proven more damages than it did does not mean that the case involves potential, but unrealized, harm.

Relatedly, as petitioner explains (Pet. 25), it is clear from *TXO* that courts may factor potential harm into the analysis only if there is ***evidence*** of the existence and amount of such harm in the record. As Justice Kennedy succinctly put it: "It is a commonplace that a jury verdict must be reviewed in relation to the record before it." *TXO,* 509 U.S. at 468 (Kennedy, J., concurring). Here, it is undeniable that "competent evidence of damages" beyond $520 — whether actual or potential — "was never introduced." Pet. App. 14a.

Finally, this Court and others have emphasized that, to be considered, potential harm has to have been ***likely*** to have occurred.[6] In part because there was no evidence of potential

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defendant's conduct would have caused to its intended victim if the wrongful plan had succeeded * * *.") (plurality op.) (emphasis deleted); *id.* at 462 ("While petitioner stresses the shocking disparity between the punitive award and the compensatory award, that shock dissipates when one considers the potential loss to respondents, in terms of reduced or eliminated royalties payments, had petitioner succeeded in its illicit scheme.").

[6] *See, e.g., BMW,* 517 U.S. at 581 (*TXO* confirmed that "the proper inquiry is whether there is a reasonable relationship between the punitive damages award and *the harm likely to result* from the defendant's conduct as well as the harm that actually has occurred") (emphasis in original; internal quotation marks omitted); *Pulla v. Amoco Oil Co,* 72 F.3d 648, 659 (8th Cir.1995) (Justice White, sitting by designation) ("Under this standard, the touchstone is the potential harm that would have likely resulted from the dangerousness inherent in defendant's actual conduct."); *id.* at 659 n.17 ("The [*TXO*] Court further underscored its commitment to the fact that the

harm (or actual harm beyond $520) in the record at all, the Federal Circuit's reliance on the concept of potential harm to avoid the conclusion that the 99.99% reduction of the compensatory damages was a substantial change squarely conflicts with *TXO* and its progeny.

If adopted by other courts, the Federal Circuit's misapplication of the potential harm concept would have highly deleterious consequences. It not only would justify upholding virtually any punitive award, but it also would encourage sandbagging — the holding back of evidence of damages in the expectation of invoking such unproven (and, for all anyone knows, entirely fictive) damages as justification for an otherwise unsustainable punitive award. That is neither fair to defendants nor sensible policy for the federal courts. Review is warranted to bring the Federal Circuit back into line with this Court's punitive damages precedents.

CONCLUSION

The petition for certiorari should be granted.

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potential harm must be 'likely,' by highlighting that West Virginia similarly imposes a likelihood requirement."); *Bell Atlantic Network Servs., Inc. v. P.M. Video Corp.*, 730 A.2d 406, 431 (N.J. Super. Ct. App. Div. 1999) (trial court correctly excluded evidence of alleged lost profits in trial limited to amount of punitive damages because, "[a]lthough that vast sum of money might be described as reflecting the potential harm to the plaintiff, it is not a harm that occurred and it is not a harm that was likely to result from the fraud.").

Respectfully submitted.

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IN THE

Supreme Court of the United States

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE DEFENSE RESEARCH INSTITUTE AS AMICUS CURIAE IN SUPPORT OF PETITIONER

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INTEREST OF THE AMICUS CURIAE

The Defense Research Institute ("DRI") is an organization with more than 21,000 individual lawyers and 400 corporate members throughout the United States. It seeks to advance the cause of the civil justice system in America by ensuring that the concerns of the defense bar and potential defendants are properly and adequately represented.

These objectives are accomplished through the publishing of scholarly material, educating the bar by conducting seminars on specialized areas of law, through testimony before Congress and state legislatures on select legislation impacting the civil justice system, and by participation as amicus curiae on issues of significance to the defense bar and its clients. DRI provides a forum for the networking of state and local defense organizations who share a concern for the proper and efficient operation of the civil justice system.[1]

Both parties provided written consents to the filing of this brief.

SUMMARY OF THE ARGUMENT

If the Federal Circuit's interpretation of the appellate mandate rule in *Tronzo II* is allowed to stand, the manner in which appeals must be pursued in that circuit and perhaps elsewhere will be substantially and unfairly altered. Numerous litigants will be forced to assert hypothetical and contingent issues in their appellate briefs, and appellate courts will be left to sort out the real issues. To not raise such contingent issues

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1. Pursuant to Rule 37(6) of the Rules of the Supreme Court of the United States, DRI states that counsel for Petitioner and Respondent had no part in authoring any portion of this brief. No one other than DRI made a monetary contribution to the preparation or submission of this brief.

will risk foreclosure. Not only does *Tronzo II* stand in stark contrast with the precedent of this Court and other courts of appeal, it runs counter to sound judicial policy. The Federal Circuit's ruling deals a serious blow to judicial economy, fairness and efficiency, in addition to creating traps for unfortunate appellate counsel who act at their own peril and that of their clients if they do not anticipate hypothetical issues correctly. This Court must act now to avoid such chaos.

In addition, *Tronzo II* stands for the proposition that, under certain circumstances, a punitive damages award that is 38,000 times greater than actual damages can survive an appellate challenge. Such a message runs counter to the Court's express mandate in *BMW v. Gore*, 517 U.S. 559 (1996) and its progeny. Upon any type of application of the *BMW* factors, there can be no question that a $20 million punitive damages award based on $520 in actual damages is "grossly excessive." Following the reduction of compensatory damages to a *de minimus* amount, Biomet did not have adequate notice of the magnitude of the sanction that might be imposed for its purportedly wrongful behavior. Allowing such an irrationally excessive ratio to stand may well be a ground as support for other unreasonable punitive damages ratios, both in the Federal Circuit as well as in other courts of appeals. Most significantly, a decision allowing a 38,000 to 1 ratio to stand could very well render meaningless this Court's important decisions in *BMW* and its progeny. For this additional reason, DRI requests the Court grant the petition.

ARGUMENT

A. The Practical Impact Of The Ruling Below Will Be Far-Reaching And Result In A Substantial Loss Of Judicial Economy, Efficiency, Consistency And Fairness.

The ill-conceived interpretation of the appellate mandate rule endorsed by the Federal Circuit in *Tronzo II* has broad and troubling implications for the numerous litigants and their counsel who appeal cases within that circuit, as well as litigants that appeal patent cases across the country.[2] For such litigants, many of whom are members of DRI, the ruling below fundamentally, unfairly and incomprehensibly alters the way in which appeals must be pursued. The rule requiring the assertion of hypothetical and contingent claims in appellate briefs is a "Catch 22" for all litigants; it is also antithetical to the consistency and clarity that are hallmarks of sound legal policy.

What transpired upon remand following the Federal Circuit's decision in *Tronzo I* is exactly what most parties and counsel would expect. The district court, implementing the mandate of the Federal Circuit, first determined the appropriate amount of compensatory damages and reduced that award to $520. Following additional briefing, the district court correctly concluded that under *BMW v. Gore*, 517 U.S. 559 (1996) and its progeny a $20 million punitive damages award could not be constitutionally supported by an award of $520 in compensatory damages. The district court, therefore, reduced punitive damages to $52,000, which bore a still high, but more reasonable ratio (100 to 1) of punitive to compensatory damages. Rather than accepting the district court's *BMW* analysis and the punitive damages reduction

2. The Federal Circuit has exclusive national jurisdiction in patent cases.

required thereby, Dr. Tronzo appealed. Apparently, Dr. Tronzo seized the opportunity, believing he could argue that Biomet in *Tronzo I* had waived its right to contest the constitutionality of the punitive damages award. However, for the reasons established hereafter, such a proposition is meritless.

As ably demonstrated in Biomet's petition, there can be no question Biomet's argument regarding the "grossly excessive" and unconstitutional nature of the punitive damages award under *BMW* did not come into existence until after the district court reduced compensatory damages to $520. Neither can there be any doubt that the Federal Circuit would not and more importantly could not have entertained an excessiveness challenge if it had been made at the time of the *Tronzo I* appeal.

Yet, Biomet was precluded from asserting a *BMW* defense following the virtual elimination of all compensatory damages, even though this Court has unambiguously stated that substantive justice requires a "person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose." *BMW*, 517 U.S. at 574. Neither Biomet, nor similarly situated persons or entities, had any notice under Florida law, much less fair notice, that a minor state law violation would justify a $20 million punishment more than 38,000 times the amount of the actual harm caused.

In light of this troubling rule, instead of appealing only those issues that are ripe for consideration, appellants must now peer into their crystal balls and attempt to predict what additional issues may subsequently arise after remand. Defense practitioners will have no choice but to advise clients to assert hypothetical and speculative issues on appeal. To not raise such issues will, as here, risk absolute foreclosure.

Appellants and appellees both will be forced to pare back arguments on legitimate issues to make room in briefs for arguments on contingent and hypothetical issues. Such a result will be particularly problematic in the complex appeals that DRI members frequently handle. As in *Tronzo I*, such cases often involve numerous legitimate and ripe appellate issues involving multiple causes of action and multiple challenges to liability and damages. Moreover, what will be the result if appellants guess wrong? Will appellants be deemed to have waived an issue by failing to anticipate the basis of an appellate decision in their hypothetical arguments? If the rule in *Tronzo II* prevails, that is exactly what will happen.

In the medical field, doctors often order multiple overlapping tests and unnecessary treatments not because good medicine requires it, but to protect the doctor in the event of a remote contingency. So too lawyers handling appeals will now necessarily focus not on what is at issue, but what might be at issue, depending on what an appellate court might hypothetically do. The confusion wrought by *Tronzo II* will be enormous in any complex case but will be most acute in complex cases that also involve the critical issue of the constitutionality of punitive damages awards. In those cases, appellants such as Biomet must predict how courts of appeal will decide issues of liability and compensatory damages, and how district courts will handle such issues on remand, if the cases are remanded. Appellate briefs will consist of a series of hypothetical arguments about whether punitive damages awards are grossly excessive under an infinite number of scenarios. Courts will be unnecessarily faced with a plethora of arguments that are strictly contingent on the success of other arguments. Logic and sound judicial

policy dictate that core issues central to the appeal, not every contingent issue which could possibly be raised, be the focus of the parties' briefs and the appellate courts' attention.

Sound judicial policy should be based on judicial economy, fairness, predictability and clarity. *See, e.g., Clark-Cowlitz Joint Operating Agency v. Federal Energy Regulatory Comm'n*, 775 F.2d 366, 372 (D.C. Cir. 1985) (discussing the judicial goals of "clarity, consistency, judicial economy, efficiency and the avoidance of needless expense"); *O'Dell v. Hercules, Inc.*, 904 F.2d 1194, 1202 (8th Cir. 1990) (in ruling on matters, "courts should consider the preservation of constitutional rights, clarity, judicial economy, the likelihood of inconsistent results and possibilities for confusion"). The rule announced by the Federal Circuit provides for none of these elements. First, the rule is unfair not only to Biomet but to all litigants that now must speculate as to what an appellate court might do and therefore be forced to analyze and brief all issues based upon all possible outcomes. In light of the real fear of waiver, it is highly likely speculative issues will be numerous. Further, *Tronzo II* promotes neither consistency nor clarity and in fact is the antithesis of these two goals, because it promotes speculative briefing on contingent and hypothetical matters not directly at issue. Another undesirable outcome of *Tronzo II*, therefore, is the promotion of gross inefficiency in the appellate process.

The rule espoused in *Tronzo II* also spawns unpredictability. Appellants will never be certain they have accurately anticipated and properly briefed all potential issues. As Judge Paul Michel of the Federal Circuit stated, predictability is essential so the "actual outcome of potential litigation may be accurately forecast through the consistent application of clearly stated legal principles to new factual

situations." Paul R. Michel, *A Review Of Recent Decisions Of The United States Court Of Appeals For The Federal Circuit: Introduction: The Challenge Ahead: Increasing Predictability In Federal Circuit Jurisprudence For The New Century*, 43 AM. U.L. REV. 1231, 1233 (1994). Moreover, in light of the Federal Circuit's national jurisdiction, predictability in that Circuit is "unusually important." *Id.* If the law is to encourage appropriate conduct, then at a minimum, it must clearly tell those involved what to expect. The lack of predictability can cause, as here, gross injustice.

All of these problems can be avoided if long established and well-reasoned precedent is followed. *Tronzo II* stands in stark contrast with the traditional notion that courts should not decide issues that are purely hypothetical and speculative. As the Ninth Circuit recently noted, appellate issues must be "definite and concrete, not hypothetical or abstract." *Thomas v. Anchorage Equal Rights Comm'n*, 220 F.3d 1134, 1139 (9th Cir. 2000) (quoting *Railway Mail Ass'n v. Corsi*, 326 U.S. 88, 93 (1945)). Ripeness is "designed to 'prevent the courts, through avoidance of premature adjudication, from entangling themselves in abstract disagreements.'" *Id.* at 1138 (quoting *Abbott Laboratories v. Gardner*, 387 U.S. 136, 148 (1967)). The role of an appellate court "is neither to issue advisory opinions nor to declare rights in hypothetical cases, but to adjudicate live cases or controversies consistent with the powers granted the judiciary in Article III of the Constitution." *Id.*[3]

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3. *See also Clinton v. Jones*, 520 U.S. 681, 690 n.11 (1997) (quoting *Alabama State Federation of Labor v. McAdory*, 325 U.S. 450, 461 (1945)) (courts should decline "'to decide abstract, hypothetical or contingent questions . . . or to decide any constitutional question in advance of the necessity for its decision

(Cont'd)

As demonstrated here and in Biomet's petition, the *BMW* punitive damages defense based upon an unconstitutional lack of due process was not "definite and concrete" at the time of *Tronzo I*. Rather, the issue was contingent on a "final disposition" of proceedings on remand. Such contingent issues, as this Court held long ago, are not subject to the mandate rule. *Sprague v. Ticonic National Bank*, 307 U.S. 161, 168 (1939).[4]

Simply put, and despite baseless protests to the contrary, the mandate rule is not implicated here at all. The mandate in *Tronzo I* did not directly or indirectly preclude the district court from reducing the punitive damages award when, as directed by the Federal Circuit's mandate, that court reduced the compensatory damages award. To argue otherwise is pure sophistry. The *ipse dixit* interpretation of the mandate in *Tronzo I* by the Federal Circuit notwithstanding, reasonable minds could not conclude that the district court was precluded from reducing the punitive damage award under a BMW analysis. Perhaps in reaching its decision the Federal Circuit believed the sanctity of its mandate was at issue. Importantly, it was not, nor could it be. The *Tronzo I* mandate was not at issue in *Tronzo II*, nor is it here.

(Cont'd)
. . . or to formulate a rule of constitutional law broader than is required by the precise facts to which it is to be applied . . . or to decide any constitutional question except with reference to the particular facts to which it is to be applied . . . .'")

4. *See also Gregg v. U.S. Industries, Inc.*, 721 F.3d 345 (11th Cir. 1983) (per curiam) (court noted that, although the punitive damages issue had not been briefed or argued, the district court should decide the issue of whether a punitive damages award remained in effect with the compensatory award being reversed).

Although surely unintended, the fallout from the Federal Circuit's ruling in *Tronzo II* will wreck havoc with consistency, fairness, judicial economy and efficiency, in addition to creating traps for parties and their unfortunate appellate counsel. DRI urges the Court to act now to prevent such chaos and grant the petition.

B. The Punitive Damages Award, Which Is *Per Se* Unconstitutional, If Left Standing, Likely Will Encourage Other Unreasonably Excessive Awards.

As demonstrated here and in Biomet's petition, the Federal Circuit erroneously concluded in *Tronzo II* that the mandate rule prevented it from even considering Biomet's proper constitutional challenge to the $20 million punitive damages award when the evidence actually proffered by Dr. Tronzo established only $520 in actual damages. Had the Federal Circuit conducted a *de novo* review of the punitive damages award, as required by this Court's decision in *Cooper v. Indus., Inc. v. Leatherman Tool Group,* 121 S. Ct. 1678 (2001), it would have determined that under Florida law, Biomet did not receive adequate notice of the magnitude of the sanction that might be imposed for its purportedly fraudulent behavior. *See Cooper*, slip op. at 8. As a result, the Federal Circuit impermissibly and unconstitutionally allowed the imposition of a "grossly excessive" punishment in violation of Biomet's right to due process. *BMW*, 517 U.S. at 562; *TXO Prod. Corp. v. Alliance Resources Corp.*, 509 U.S. 443, 453-455 (1993) (plurality opinion). If the petition is not granted, the damages award and its corresponding ratio of 38,000 to 1 will stand. This unfortunate result would make it more likely other unreasonably excessive awards and ratios, in the Federal Circuit and elsewhere, could withstand constitutional challenges, thereby impacting many DRI members and other appellants. For this additional reason, the Court should grant the petition.

In determining whether a punishment is grossly disproportionate to the gravity of a tortfeasor's behavior, this Court has identified three separate but interrelated guideposts that must be considered: (a) the degree of reprehensibility of the tortfeasor's conduct; (b) the disparity between the harm or potential harm suffered by the injured party and the punitive damages awarded; and (c) the difference between this remedy and the civil penalties authorized or imposed in comparable cases. *BMW*, 517 U.S. at 574-75. Without question, this Court intended for these guideposts to protect a tortfeasor's constitutional right to receive fair notice not only of the conduct that would subject the tortfeasor to punishment, but also of the severity of the penalty that could be imposed. *Id.* at 575. By refusing to squarely address Biomet's constitutional challenge to the grossly excessive punitive damages award, the Federal Circuit circumvented the express charge of this Court to do so in exactly such circumstances.

The most relevant guidepost here, the ratio of a punitive damages award to the harm inflicted, arises from the well-recognized principle embraced by this Court that exemplary damages must bear a "reasonable relationship" to compensatory damages. *BMW*, 517 U.S. at 580. In so holding, this Court has stressed that the "reasonable relationship," or the line beyond which the award becomes unconstitutional, is not marked by a simple mathematical formula that compares actual and potential damages to the punitive award. *BMW*, at 582. *See also TXO*, 509 U.S. at 458.

The Court granted certiorari in *BMW* to assess whether a punitive damages award of $2 million exceeded constitutional limits in light of a compensatory damages

award of only $4,000, a ratio of 500 to 1.[5] The Court generally observed in discussing punitive damages awards that, "[i]n most cases, the ratio will be within a constitutionally acceptable range, however, when the ratio is a breathtaking 500 to 1, the award must surely 'raise a suspicious judicial eyebrow'." *BMW*, at 583 (quoting *TXO*, 509 U.S. at 481 (O'Connor, J., dissenting). The Court had also concluded in a prior case that a punitive damages award of "more than 4 times the amount of compensatory damages" might be "close to the line." *Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 23-24 (1991). Similarly, this Court upheld a ratio of not more than 10 to 1 when the punitive award was compared to the harm that might have been caused if the tortious plan had succeeded. *TXO*, 509 U.S. at 460.

Courts of appeal applying the *BMW* factors have held that punitive damages awards in the range of 12 to 50 times actual damages to be constitutional.[6] But appellate courts

5. In *BMW*, the purchaser of a new *BMW* automobile sued Alabama's *BMW* distributor alleging fraud and other theories after he discovered the car had been repainted prior to its initial sale to him. The jury returned a verdict finding the distributor liable for compensatory damages in the amount of $4,000 and assessed $4 million in punitive damages. Both the trial court and the state supreme court rejected *BMW's* argument that the punitive award was grossly excessive. However, the Alabama Supreme Court reduced the punitive damages award to $2 million because the jury improperly multiplied the amount of compensatory damages established by the number of similar incidents in the entire United States rather than those only in Alabama.

6. *See Bielicki v. Terminix Int'l Co., L.P.*, 225 F.3d 1159 (10th Cir. 2000) (upholding a ratio of 12 to 1 where plaintiffs suffered permanent, chronic injuries from defendant's employee's spraying of toxic pesticides in their presence); *Grabinski v. Blue Springs Ford*

(Cont'd)

have also concluded that ratios of 14.89 to 1, 30 to 1, 100 to 1, and 320 to 1 were unconstitutionally excessive.[7]

(Cont'd)
Sales, Inc., 203 F.3d 1024 (8th Cir. 2000), *cert. denied*, 531 U.S. 825 (2000) (affirming approximate ratio of 27 to 1 on numerous violations of the Missouri Merchandising Practices Act); *Romano v. U-Haul Int'l*, 233 F.3d 655 (1st Cir. 2000) (finding ratio of 19 to 1 to be constitutionally acceptable in a Title VII action); *Jeffries v. Wal-Mart Stores, Inc.*, 2001 U.S. App. LEXIS 16753 (6th Cir. July 20, 2001) (upholding punitive damages of $425,000 for conduct that garnered only an $8,500 compensatory damages award, a 50 to 1 ratio); *But see Shea v. Galaxie Lumber*, 152 F. 3d 729 (7th Cir. 1998) (refusing to remit punitive damages of $2,500 when only $1 in compensatory damages had been awarded on plaintiff's Title VII claim).

7. *Watkins v. Lundell*, 169 F.3d 540 (8th Cir. 1999), *cert. denied*, 528 U.S. 928 (1999) (reducing punitive damages from $3.5 million to $940,000 when actual damages awarded were $235,000 on breach of contract and fraud claims because conduct that justified a 4 to 1 ratio was not reprehensible enough to support a 14.89 to 1 ratio); *Rubinstein v. Administrators of the Tulane Educ. Fund*, 218 F.3d 392 (5th Cir. 2000), *cert. denied*, 121 S. Ct. 1393 (2001) (reducing punitive damages of $75,000 to $25,000 when actual damages for a single act of retaliation under Title VII awarded were $2,500 because the facts, analyzed under *BMW*, did not justify a ratio of 30 to 1, but could support a ratio of 10 to 1); *Kimzey v. Wal-Mart Stores, Inc.*, 107 F.3d 568 (8th Cir. 1997) (finding an award of $5 million in punitive damages, previously reduced from $50 million, excessive and reducing punitive award to $350,000 on plaintiff's hostile work environment and constructive discharge claims); *Johansen v. Combustion Eng'g, Inc.*, 170 F.3d 1320 (11th Cir. 1999), *cert. denied*, 528 U.S. 931 (1999) (reducing a punitive damages award of $15 million to $4.35 million when the aggregate actual damages were $47,000 because a ratio of 320 to 1 was excessive and the 100 to 1 ratio was the maximum permitted by the constitution). Apparently, the district court in *Tronzo II* agreed with the rationale of the court in *Johansen*, having reduced the punitive damages award to $52,000, thereby creating a 100 to 1 ratio.

Besides supporting the unfounded proposition that a 38,000 to 1 ratio of punitive to actual damages could ever be constitutional, *Tronzo II* encourages courts to speculate about potential damages that could have been caused by a tortfeasor's conduct, but were not proven. Although in assessing punitive damages it is proper to assess the amount of potential harm that could have been caused if the tortious plan had been fully carried out, an appellate court does not have license to speculate regarding damages evidence that was not produced at trial.

For example, if a manufacturer knowingly distributes a contaminated product that ultimately injures only a few people because most of the product is seized by the government, the court can consider the fact that many more injuries would have been sustained if the product had been fully distributed. In stark contrast, the Federal Circuit below simply speculated there must have been more than $520 in actual damages. The Federal Circuit apparently believed the record contained a "strong suggestion" that the potential compensatory damages may have been much higher than what was actually awarded. *Tronzo II*, 236 F.3d at 1350. Presumably, the Federal Circuit based its speculation on the district court's decision not to reopen the record to receive additional evidence of actual damages because "both parties had been represented by competent counsel and had made strategic decisions in this protracted litigation." *Id.* at 1345. Contrary to the Federal Circuit's interpretation of this unambiguous statement, the district court refused to reopen the record because it concluded that if additional evidence of actual damages had existed, the parties' competent counsel would surely have introduced it. In any event, the district court had already taken into account that the proffered evidence of compensatory damages might not adequately

reflect the actual harm sustained when it established a punitive damages ratio of 100 to 1, despite Florida's preference for a 3 to 1 ratio.

Not surprisingly, the Federal Circuit recognized that a ratio of 38,000 to 1 is one that would certainly "raise a suspicious judicial eyebrow." *Id.* at 1350. The Federal Circuit, however, insisted that constitutionality was not simply a matter of ratios but required an analysis of all three *BMW* guideposts. Ironically, the Federal Circuit then failed to perform the analysis it espoused. *Id.* At some point, particularly where no harm is visited on the life, limb or physical well being of any person, i.e., where the only harm is economic damage involving a property right, a large award of punitive damages becomes *per se* unconstitutional. That clearly is the case here.

If this punitive damages award is allowed to stand, defendants in the Federal Circuit and across the country will be faced with the virtually impossible task of distinguishing the award here each time a plaintiff cites *Tronzo II* in support of an egregiously excessive punitive award. Undeniably, if it is concluded the facts and conduct in *Tronzo* support a punitive damages award more than 38,000 times higher than the actual damages award, this Court's decisions in *BMW*, *TXO* and *Cooper* are rendered meaningless.

Another of the interrelated *BMW* guideposts is the "degree of reprehensibility of the tortfeasor's conduct." *BMW*, 517 U.S. at 575. *See also TXO*, 509 U.S. at 453, 462. As in *BMW*, none of the aggravating factors associated with significantly reprehensible conduct is present here. The harm sustained by Dr. Tronzo as the result of Biomet's conduct was purely economic in nature, amounting to only $520. *Tronzo II*, 236 F.3d at 1347. Evidence submitted by

Dr. Tronzo failed to prove that Biomet's actions threatened the health and welfare of any patients or other persons. To the contrary, the evidence established that patients benefited from Biomet's development and marketing of the acetabular cup. In fact, the sole evidence in the record identified by the Federal Circuit in *Tronzo II* concerning this guidepost was the district court's indication that Biomet "misappropriated Dr. Tronzo's ideas and . . . misled Dr. Tronzo and substantially profited thereby." *Id.* at 1350. Critically, there was no evidence that Biomet had otherwise engaged in or would repeat this behavior. The evidence in the record cannot be characterized as "trickery and deceit" or intentional malice sufficiently reprehensible to justify a $20 million award of punitive damages. *See BMW*, 517 U.S. at 576.

The Federal Circuit also ignored the indisputable truth that the district court possessed direct and superior knowledge of the exact nature of Biomet's purportedly reckless conduct. *See Cooper*, slip op. at 14-15. Specifically, the district court had the best vantage for evaluating issues such as witness credibility and demeanor. *Id.* The Federal Circuit also improperly ignored the jury's own measure of the moral reprehensibility of Biomet's conduct. *Id.* at 9. Neither the jury nor the district court concluded, based upon all of the evidence, that the reprehensibility of Biomet's conduct justified a punitive to actual damages ratio of 38,000 to 1. The reason is simple; it did not. It is virtually inconceivable that commercial conduct involving intellectual property rights and the profits to be generated by the development of those ideas, no matter how acquired, could ever support such a disproportional relationship between actual and punitive damages.

The third and final interrelated guidepost for determining excessiveness invites a comparison of the punitive damages award to the civil or criminal penalties that could be imposed for similar misconduct. "Punitive damages are not compensation for injury. Instead, they are private fines levied by civil juries to punish reprehensible conduct and to deter its future occurrence." *Cooper*, slip op. at 10 (quoting *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 350 (1974)). The reviewing court must give "substantial deference" to legislative judgments concerning appropriate sanctions for the conduct at issue. *BMW*, 517 U.S. at 583 (quoting *Browning-Ferris Indus. v. Kelco Disposal, Inc.*, 492 U.S. 257, 301 (opinion concurring in part and dissenting in part).

The Florida legislature has imposed various restrictions on punitive damages awards, including a requirement that there be a reasonable relationship between the damages awarded and the actual injury suffered. Fla. Stat. § 768.74(5). In addition, there is a statutory cap on punitive damages awards (in most cases) of three times the amount of compensatory damages. Fla. Stat. § 768.73(1). Moreover, the maximum fine authorized by the Florida Legislature for a violation of the Florida Deceptive and Unfair Trade Practices is $10,000 for each unlawful act. *See* Fla. Stat. §§ 501.2075, 688.004.

Similarly, the Food, Drug and Cosmetic Act punishes violators that intentionally defraud or mislead the FDA about medical devices with imprisonment for up to 3 years and a fine of $10,000. *See* 21 U.S.C. §§ 331, 333(a)(2). Other states authorize similar sanctions. *See, e.g.*, Ala. Code § 8-19-11 (civil penalty of not more than $2,000 per violation) (2001) R.S. Mo. §§ 407.020, 407.025 (violators are guilty of a Class D misdemeanor and civil actions are allowed to recover

actual and punitive damages and attorney's fees); 815 I.L.C.S. 505/7 (allowing civil penalties in a sum not to exceed $50,000 and, in the event the court finds an intent to defraud, an additional civil penalty in a sum not to exceed $50,000 per violation my be imposed).

Not one of these statutes provide a manufacturer in Florida or anywhere else with fair notice that a single violation could subject the manufacturer to a multimillion dollar penalty, tens of thousands of times greater than the actual harm caused. Moreover, the sanction imposed in *Tronzo II* cannot be justified on the ground that it was necessary to deter future misconduct without considering whether less drastic remedies would achieve that goal. Here, there is no reason to believe that a punitive damages award bearing a closer relationship to the actual harm sustained by Dr. Tronzo would not be sufficient to prevent Biomet from engaging in the same conduct.

The Federal Circuit's misapplication of the mandate rule resulted in an unconstitutional award of punitive damages in *Tronzo II*. In so ruling, the Federal Circuit failed to adhere to the teachings of this Court, requiring that an award of punitive damages comport with constitutional due process. *Cooper*, at 12, n.9 (citing *Haslip*, 499 U.S. at 20-21). If allowed to stand, plaintiffs across the country will cite to *Tronzo II* as authority for egregiously excessive punitive awards. As noted, if this punitive damages award is left standing, likely no punitive damages award elsewhere could be found unconstitutional. It is essential, therefore, that the Court grant the petition.

CONCLUSION

For the foregoing reasons, this Court should grant the petition.

Respectfully submitted,

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(6)

No. 01-172

IN THE

Supreme Court of the United States

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE DEFENSE RESEARCH INSTITUTE AS AMICUS CURIAE IN SUPPORT OF PETITIONER

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INTEREST OF THE AMICUS CURIAE

The Defense Research Institute ("DRI") is an organization with more than 21,000 individual lawyers and 400 corporate members throughout the United States. It seeks to advance the cause of the civil justice system in America by ensuring that the concerns of the defense bar and potential defendants are properly and adequately represented.

These objectives are accomplished through the publishing of scholarly material, educating the bar by conducting seminars on specialized areas of law, through testimony before Congress and state legislatures on select legislation impacting the civil justice system, and by participation as amicus curiae on issues of significance to the defense bar and its clients. DRI provides a forum for the networking of state and local defense organizations who share a concern for the proper and efficient operation of the civil justice system.[1]

Both parties provided written consents to the filing of this brief.

SUMMARY OF THE ARGUMENT

If the Federal Circuit's interpretation of the appellate mandate rule in *Tronzo II* is allowed to stand, the manner in which appeals must be pursued in that circuit and perhaps elsewhere will be substantially and unfairly altered. Numerous litigants will be forced to assert hypothetical and contingent issues in their appellate briefs, and appellate courts will be left to sort out the real issues. To not raise such contingent issues

---

1. Pursuant to Rule 37(6) of the Rules of the Supreme Court of the United States, DRI states that counsel for Petitioner and Respondent had no part in authoring any portion of this brief. No one other than DRI made a monetary contribution to the preparation or submission of this brief.

will risk foreclosure. Not only does *Tronzo II* stand in stark contrast with the precedent of this Court and other courts of appeal, it runs counter to sound judicial policy. The Federal Circuit's ruling deals a serious blow to judicial economy, fairness and efficiency, in addition to creating traps for unfortunate appellate counsel who act at their own peril and that of their clients if they do not anticipate hypothetical issues correctly. This Court must act now to avoid such chaos.

In addition, *Tronzo II* stands for the proposition that, under certain circumstances, a punitive damages award that is 38,000 times greater than actual damages can survive an appellate challenge. Such a message runs counter to the Court's express mandate in *BMW v. Gore*, 517 U.S. 559 (1996) and its progeny. Upon any type of application of the *BMW* factors, there can be no question that a $20 million punitive damages award based on $520 in actual damages is "grossly excessive." Following the reduction of compensatory damages to a *de minimus* amount, Biomet did not have adequate notice of the magnitude of the sanction that might be imposed for its purportedly wrongful behavior. Allowing such an irrationally excessive ratio to stand may well be a ground as support for other unreasonable punitive damages ratios, both in the Federal Circuit as well as in other courts of appeals. Most significantly, a decision allowing a 38,000 to 1 ratio to stand could very well render meaningless this Court's important decisions in *BMW* and its progeny. For this additional reason, DRI requests the Court grant the petition.

ARGUMENT

A. The Practical Impact Of The Ruling Below Will Be Far-Reaching And Result In A Substantial Loss Of Judicial Economy, Efficiency, Consistency And Fairness.

The ill-conceived interpretation of the appellate mandate rule endorsed by the Federal Circuit in *Tronzo II* has broad and troubling implications for the numerous litigants and their counsel who appeal cases within that circuit, as well as litigants that appeal patent cases across the country.[2] For such litigants, many of whom are members of DRI, the ruling below fundamentally, unfairly and incomprehensibly alters the way in which appeals must be pursued. The rule requiring the assertion of hypothetical and contingent claims in appellate briefs is a "Catch 22" for all litigants; it is also antithetical to the consistency and clarity that are hallmarks of sound legal policy.

What transpired upon remand following the Federal Circuit's decision in *Tronzo I* is exactly what most parties and counsel would expect. The district court, implementing the mandate of the Federal Circuit, first determined the appropriate amount of compensatory damages and reduced that award to $520. Following additional briefing, the district court correctly concluded that under *BMW v. Gore*, 517 U.S. 559 (1996) and its progeny a $20 million punitive damages award could not be constitutionally supported by an award of $520 in compensatory damages. The district court, therefore, reduced punitive damages to $52,000, which bore a still high, but more reasonable ratio (100 to 1) of punitive to compensatory damages. Rather than accepting the district court's *BMW* analysis and the punitive damages reduction

2. The Federal Circuit has exclusive national jurisdiction in patent cases.

required thereby, Dr. Tronzo appealed. Apparently, Dr. Tronzo seized the opportunity, believing he could argue that Biomet in *Tronzo I* had waived its right to contest the constitutionality of the punitive damages award. However, for the reasons established hereafter, such a proposition is meritless.

As ably demonstrated in Biomet's petition, there can be no question Biomet's argument regarding the "grossly excessive" and unconstitutional nature of the punitive damages award under *BMW* did not come into existence until after the district court reduced compensatory damages to $520. Neither can there be any doubt that the Federal Circuit would not and more importantly could not have entertained an excessiveness challenge if it had been made at the time of the *Tronzo I* appeal.

Yet, Biomet was precluded from asserting a *BMW* defense following the virtual elimination of all compensatory damages, even though this Court has unambiguously stated that substantive justice requires a "person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose." *BMW*, 517 U.S. at 574. Neither Biomet, nor similarly situated persons or entities, had any notice under Florida law, much less fair notice, that a minor state law violation would justify a $20 million punishment more than 38,000 times the amount of the actual harm caused.

In light of this troubling rule, instead of appealing only those issues that are ripe for consideration, appellants must now peer into their crystal balls and attempt to predict what additional issues may subsequently arise after remand. Defense practitioners will have no choice but to advise clients to assert hypothetical and speculative issues on appeal. To not raise such issues will, as here, risk absolute foreclosure.

Appellants and appellees both will be forced to pare back arguments on legitimate issues to make room in briefs for arguments on contingent and hypothetical issues. Such a result will be particularly problematic in the complex appeals that DRI members frequently handle. As in *Tronzo I*, such cases often involve numerous legitimate and ripe appellate issues involving multiple causes of action and multiple challenges to liability and damages. Moreover, what will be the result if appellants guess wrong? Will appellants be deemed to have waived an issue by failing to anticipate the basis of an appellate decision in their hypothetical arguments? If the rule in *Tronzo II* prevails, that is exactly what will happen.

In the medical field, doctors often order multiple overlapping tests and unnecessary treatments not because good medicine requires it, but to protect the doctor in the event of a remote contingency. So too lawyers handling appeals will now necessarily focus not on what is at issue, but what might be at issue, depending on what an appellate court might hypothetically do. The confusion wrought by *Tronzo II* will be enormous in any complex case but will be most acute in complex cases that also involve the critical issue of the constitutionality of punitive damages awards. In those cases, appellants such as Biomet must predict how courts of appeal will decide issues of liability and compensatory damages, and how district courts will handle such issues on remand, if the cases are remanded. Appellate briefs will consist of a series of hypothetical arguments about whether punitive damages awards are grossly excessive under an infinite number of scenarios. Courts will be unnecessarily faced with a plethora of arguments that are strictly contingent on the success of other arguments. Logic and sound judicial

policy dictate that core issues central to the appeal, not every contingent issue which could possibly be raised, be the focus of the parties' briefs and the appellate courts' attention.

Sound judicial policy should be based on judicial economy, fairness, predictability and clarity. *See, e.g., Clark-Cowlitz Joint Operating Agency v. Federal Energy Regulatory Comm'n*, 775 F.2d 366, 372 (D.C. Cir. 1985) (discussing the judicial goals of "clarity, consistency, judicial economy, efficiency and the avoidance of needless expense"); *O'Dell v. Hercules, Inc.*, 904 F.2d 1194, 1202 (8th Cir. 1990) (in ruling on matters, "courts should consider the preservation of constitutional rights, clarity, judicial economy, the likelihood of inconsistent results and possibilities for confusion"). The rule announced by the Federal Circuit provides for none of these elements. First, the rule is unfair not only to Biomet but to all litigants that now must speculate as to what an appellate court might do and therefore be forced to analyze and brief all issues based upon all possible outcomes. In light of the real fear of waiver, it is highly likely speculative issues will be numerous. Further, *Tronzo II* promotes neither consistency nor clarity and in fact is the antithesis of these two goals, because it promotes speculative briefing on contingent and hypothetical matters not directly at issue. Another undesirable outcome of *Tronzo II*, therefore, is the promotion of gross inefficiency in the appellate process.

The rule espoused in *Tronzo II* also spawns unpredictability. Appellants will never be certain they have accurately anticipated and properly briefed all potential issues. As Judge Paul Michel of the Federal Circuit stated, predictability is essential so the "actual outcome of potential litigation may be accurately forecast through the consistent application of clearly stated legal principles to new factual

situations." Paul R. Michel, *A Review Of Recent Decisions Of The United States Court Of Appeals For The Federal Circuit: Introduction: The Challenge Ahead: Increasing Predictability In Federal Circuit Jurisprudence For The New Century*, 43 AM. U.L. REV. 1231, 1233 (1994). Moreover, in light of the Federal Circuit's national jurisdiction, predictability in that Circuit is "unusually important." *Id.* If the law is to encourage appropriate conduct, then at a minimum, it must clearly tell those involved what to expect. The lack of predictability can cause, as here, gross injustice.

All of these problems can be avoided if long established and well-reasoned precedent is followed. *Tronzo II* stands in stark contrast with the traditional notion that courts should not decide issues that are purely hypothetical and speculative. As the Ninth Circuit recently noted, appellate issues must be "definite and concrete, not hypothetical or abstract." *Thomas v. Anchorage Equal Rights Comm'n*, 220 F.3d 1134, 1139 (9th Cir. 2000) (quoting *Railway Mail Ass'n v. Corsi*, 326 U.S. 88, 93 (1945)). Ripeness is "designed to 'prevent the courts, through avoidance of premature adjudication, from entangling themselves in abstract disagreements.'" *Id.* at 1138 (quoting *Abbott Laboratories v. Gardner*, 387 U.S. 136, 148 (1967)). The role of an appellate court "is neither to issue advisory opinions nor to declare rights in hypothetical cases, but to adjudicate live cases or controversies consistent with the powers granted the judiciary in Article III of the Constitution." *Id.*[3]

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3. *See also Clinton v. Jones*, 520 U.S. 681, 690 n.11 (1997) (quoting *Alabama State Federation of Labor v. McAdory*, 325 U.S. 450, 461 (1945)) (courts should decline "'to decide abstract, hypothetical or contingent questions . . . or to decide any constitutional question in advance of the necessity for its decision

(Cont'd)

As demonstrated here and in Biomet's petition, the *BMW* punitive damages defense based upon an unconstitutional lack of due process was not "definite and concrete" at the time of *Tronzo I*. Rather, the issue was contingent on a "final disposition" of proceedings on remand. Such contingent issues, as this Court held long ago, are not subject to the mandate rule. *Sprague v. Ticonic National Bank*, 307 U.S. 161, 168 (1939).[4]

Simply put, and despite baseless protests to the contrary, the mandate rule is not implicated here at all. The mandate in *Tronzo I* did not directly or indirectly preclude the district court from reducing the punitive damages award when, as directed by the Federal Circuit's mandate, that court reduced the compensatory damages award. To argue otherwise is pure sophistry. The *ipse dixit* interpretation of the mandate in *Tronzo I* by the Federal Circuit notwithstanding, reasonable minds could not conclude that the district court was precluded from reducing the punitive damage award under a BMW analysis. Perhaps in reaching its decision the Federal Circuit believed the sanctity of its mandate was at issue. Importantly, it was not, nor could it be. The *Tronzo I* mandate was not at issue in *Tronzo II*, nor is it here.

(Cont'd)
. . . or to formulate a rule of constitutional law broader than is required by the precise facts to which it is to be applied . . . or to decide any constitutional question except with reference to the particular facts to which it is to be applied . . . .'")

4. *See also Gregg v. U.S. Industries, Inc.*, 721 F.3d 345 (11th Cir. 1983) (per curiam) (court noted that, although the punitive damages issue had not been briefed or argued, the district court should decide the issue of whether a punitive damages award remained in effect with the compensatory award being reversed).

Although surely unintended, the fallout from the Federal Circuit's ruling in *Tronzo II* will wreck havoc with consistency, fairness, judicial economy and efficiency, in addition to creating traps for parties and their unfortunate appellate counsel. DRI urges the Court to act now to prevent such chaos and grant the petition.

B. The Punitive Damages Award, Which Is *Per Se* Unconstitutional, If Left Standing, Likely Will Encourage Other Unreasonably Excessive Awards.

As demonstrated here and in Biomet's petition, the Federal Circuit erroneously concluded in *Tronzo II* that the mandate rule prevented it from even considering Biomet's proper constitutional challenge to the $20 million punitive damages award when the evidence actually proffered by Dr. Tronzo established only $520 in actual damages. Had the Federal Circuit conducted a *de novo* review of the punitive damages award, as required by this Court's decision in *Cooper v. Indus., Inc. v. Leatherman Tool Group,* 121 S. Ct. 1678 (2001), it would have determined that under Florida law, Biomet did not receive adequate notice of the magnitude of the sanction that might be imposed for its purportedly fraudulent behavior. *See Cooper*, slip op. at 8. As a result, the Federal Circuit impermissibly and unconstitutionally allowed the imposition of a "grossly excessive" punishment in violation of Biomet's right to due process. *BMW*, 517 U.S. at 562; *TXO Prod. Corp. v. Alliance Resources Corp.*, 509 U.S. 443, 453-455 (1993) (plurality opinion). If the petition is not granted, the damages award and its corresponding ratio of 38,000 to 1 will stand. This unfortunate result would make it more likely other unreasonably excessive awards and ratios, in the Federal Circuit and elsewhere, could withstand constitutional challenges, thereby impacting many DRI members and other appellants. For this additional reason, the Court should grant the petition.

In determining whether a punishment is grossly disproportionate to the gravity of a tortfeasor's behavior, this Court has identified three separate but interrelated guideposts that must be considered: (a) the degree of reprehensibility of the tortfeasor's conduct; (b) the disparity between the harm or potential harm suffered by the injured party and the punitive damages awarded; and (c) the difference between this remedy and the civil penalties authorized or imposed in comparable cases. *BMW*, 517 U.S. at 574-75. Without question, this Court intended for these guideposts to protect a tortfeasor's constitutional right to receive fair notice not only of the conduct that would subject the tortfeasor to punishment, but also of the severity of the penalty that could be imposed. *Id.* at 575. By refusing to squarely address Biomet's constitutional challenge to the grossly excessive punitive damages award, the Federal Circuit circumvented the express charge of this Court to do so in exactly such circumstances.

The most relevant guidepost here, the ratio of a punitive damages award to the harm inflicted, arises from the well-recognized principle embraced by this Court that exemplary damages must bear a "reasonable relationship" to compensatory damages. *BMW*, 517 U.S. at 580. In so holding, this Court has stressed that the "reasonable relationship," or the line beyond which the award becomes unconstitutional, is not marked by a simple mathematical formula that compares actual and potential damages to the punitive award. *BMW*, at 582. *See also TXO*, 509 U.S. at 458.

The Court granted certiorari in *BMW* to assess whether a punitive damages award of $2 million exceeded constitutional limits in light of a compensatory damages

award of only $4,000, a ratio of 500 to 1.[5] The Court generally observed in discussing punitive damages awards that, "[i]n most cases, the ratio will be within a constitutionally acceptable range, however, when the ratio is a breathtaking 500 to 1, the award must surely 'raise a suspicious judicial eyebrow'." *BMW*, at 583 (quoting *TXO*, 509 U.S. at 481 (O'Connor, J., dissenting). The Court had also concluded in a prior case that a punitive damages award of "more than 4 times the amount of compensatory damages" might be "close to the line." *Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 23-24 (1991). Similarly, this Court upheld a ratio of not more than 10 to 1 when the punitive award was compared to the harm that might have been caused if the tortious plan had succeeded. *TXO*, 509 U.S. at 460.

Courts of appeal applying the *BMW* factors have held that punitive damages awards in the range of 12 to 50 times actual damages to be constitutional.[6] But appellate courts

5. In *BMW*, the purchaser of a new *BMW* automobile sued Alabama's *BMW* distributor alleging fraud and other theories after he discovered the car had been repainted prior to its initial sale to him. The jury returned a verdict finding the distributor liable for compensatory damages in the amount of $4,000 and assessed $4 million in punitive damages. Both the trial court and the state supreme court rejected *BMW's* argument that the punitive award was grossly excessive. However, the Alabama Supreme Court reduced the punitive damages award to $2 million because the jury improperly multiplied the amount of compensatory damages established by the number of similar incidents in the entire United States rather than those only in Alabama.

6. *See Bielicki v. Terminix Int'l Co., L.P.*, 225 F.3d 1159 (10th Cir. 2000) (upholding a ratio of 12 to 1 where plaintiffs suffered permanent, chronic injuries from defendant's employee's spraying of toxic pesticides in their presence); *Grabinski v. Blue Springs Ford*

(Cont'd)

have also concluded that ratios of 14.89 to 1, 30 to 1, 100 to 1, and 320 to 1 were unconstitutionally excessive.[7]

(Cont'd)
Sales, Inc., 203 F.3d 1024 (8th Cir. 2000), *cert. denied,* 531 U.S. 825 (2000) (affirming approximate ratio of 27 to 1 on numerous violations of the Missouri Merchandising Practices Act); *Romano v. U-Haul Int'l,* 233 F.3d 655 (1st Cir. 2000) (finding ratio of 19 to 1 to be constitutionally acceptable in a Title VII action); *Jeffries v. Wal-Mart Stores, Inc.*, 2001 U.S. App. LEXIS 16753 (6th Cir. July 20, 2001) (upholding punitive damages of $425,000 for conduct that garnered only an $8,500 compensatory damages award, a 50 to 1 ratio); *But see Shea v. Galaxie Lumber,* 152 F. 3d 729 (7th Cir. 1998) (refusing to remit punitive damages of $2,500 when only $1 in compensatory damages had been awarded on plaintiff's Title VII claim).

7. *Watkins v. Lundell*, 169 F.3d 540 (8th Cir. 1999), *cert. denied,* 528 U.S. 928 (1999) (reducing punitive damages from $3.5 million to $940,000 when actual damages awarded were $235,000 on breach of contract and fraud claims because conduct that justified a 4 to 1 ratio was not reprehensible enough to support a 14.89 to 1 ratio); *Rubinstein v. Administrators of the Tulane Educ. Fund*, 218 F.3d 392 (5th Cir. 2000), *cert. denied*, 121 S. Ct. 1393 (2001) (reducing punitive damages of $75,000 to $25,000 when actual damages for a single act of retaliation under Title VII awarded were $2,500 because the facts, analyzed under *BMW*, did not justify a ratio of 30 to 1, but could support a ratio of 10 to 1); *Kimzey v. Wal-Mart Stores, Inc.*, 107 F.3d 568 (8th Cir. 1997) (finding an award of $5 million in punitive damages, previously reduced from $50 million, excessive and reducing punitive award to $350,000 on plaintiff's hostile work environment and constructive discharge claims); *Johansen v. Combustion Eng'g, Inc.*, 170 F.3d 1320 (11th Cir. 1999), *cert. denied*, 528 U.S. 931 (1999) (reducing a punitive damages award of $15 million to $4.35 million when the aggregate actual damages were $47,000 because a ratio of 320 to 1 was excessive and the 100 to 1 ratio was the maximum permitted by the constitution). Apparently, the district court in *Tronzo II* agreed with the rationale of the court in *Johansen*, having reduced the punitive damages award to $52,000, thereby creating a 100 to 1 ratio.

Besides supporting the unfounded proposition that a 38,000 to 1 ratio of punitive to actual damages could ever be constitutional, *Tronzo II* encourages courts to speculate about potential damages that could have been caused by a tortfeasor's conduct, but were not proven. Although in assessing punitive damages it is proper to assess the amount of potential harm that could have been caused if the tortious plan had been fully carried out, an appellate court does not have license to speculate regarding damages evidence that was not produced at trial.

For example, if a manufacturer knowingly distributes a contaminated product that ultimately injures only a few people because most of the product is seized by the government, the court can consider the fact that many more injuries would have been sustained if the product had been fully distributed. In stark contrast, the Federal Circuit below simply speculated there must have been more than $520 in actual damages. The Federal Circuit apparently believed the record contained a "strong suggestion" that the potential compensatory damages may have been much higher than what was actually awarded. *Tronzo II*, 236 F.3d at 1350. Presumably, the Federal Circuit based its speculation on the district court's decision not to reopen the record to receive additional evidence of actual damages because "both parties had been represented by competent counsel and had made strategic decisions in this protracted litigation." *Id.* at 1345. Contrary to the Federal Circuit's interpretation of this unambiguous statement, the district court refused to reopen the record because it concluded that if additional evidence of actual damages had existed, the parties' competent counsel would surely have introduced it. In any event, the district court had already taken into account that the proffered evidence of compensatory damages might not adequately

reflect the actual harm sustained when it established a punitive damages ratio of 100 to 1, despite Florida's preference for a 3 to 1 ratio.

Not surprisingly, the Federal Circuit recognized that a ratio of 38,000 to 1 is one that would certainly "raise a suspicious judicial eyebrow." *Id.* at 1350. The Federal Circuit, however, insisted that constitutionality was not simply a matter of ratios but required an analysis of all three *BMW* guideposts. Ironically, the Federal Circuit then failed to perform the analysis it espoused. *Id.* At some point, particularly where no harm is visited on the life, limb or physical well being of any person, i.e., where the only harm is economic damage involving a property right, a large award of punitive damages becomes *per se* unconstitutional. That clearly is the case here.

If this punitive damages award is allowed to stand, defendants in the Federal Circuit and across the country will be faced with the virtually impossible task of distinguishing the award here each time a plaintiff cites *Tronzo II* in support of an egregiously excessive punitive award. Undeniably, if it is concluded the facts and conduct in *Tronzo* support a punitive damages award more than 38,000 times higher than the actual damages award, this Court's decisions in *BMW*, *TXO* and *Cooper* are rendered meaningless.

Another of the interrelated *BMW* guideposts is the "degree of reprehensibility of the tortfeasor's conduct." *BMW*, 517 U.S. at 575. *See also TXO*, 509 U.S. at 453, 462. As in *BMW*, none of the aggravating factors associated with significantly reprehensible conduct is present here. The harm sustained by Dr. Tronzo as the result of Biomet's conduct was purely economic in nature, amounting to only $520. *Tronzo II*, 236 F.3d at 1347. Evidence submitted by

Dr. Tronzo failed to prove that Biomet's actions threatened the health and welfare of any patients or other persons. To the contrary, the evidence established that patients benefited from Biomet's development and marketing of the acetabular cup. In fact, the sole evidence in the record identified by the Federal Circuit in *Tronzo II* concerning this guidepost was the district court's indication that Biomet "misappropriated Dr. Tronzo's ideas and . . . misled Dr. Tronzo and substantially profited thereby." *Id.* at 1350. Critically, there was no evidence that Biomet had otherwise engaged in or would repeat this behavior. The evidence in the record cannot be characterized as "trickery and deceit" or intentional malice sufficiently reprehensible to justify a $20 million award of punitive damages. *See BMW*, 517 U.S. at 576.

The Federal Circuit also ignored the indisputable truth that the district court possessed direct and superior knowledge of the exact nature of Biomet's purportedly reckless conduct. *See Cooper*, slip op. at 14-15. Specifically, the district court had the best vantage for evaluating issues such as witness credibility and demeanor. *Id.* The Federal Circuit also improperly ignored the jury's own measure of the moral reprehensibility of Biomet's conduct. *Id.* at 9. Neither the jury nor the district court concluded, based upon all of the evidence, that the reprehensibility of Biomet's conduct justified a punitive to actual damages ratio of 38,000 to 1. The reason is simple; it did not. It is virtually inconceivable that commercial conduct involving intellectual property rights and the profits to be generated by the development of those ideas, no matter how acquired, could ever support such a disproportional relationship between actual and punitive damages.

The third and final interrelated guidepost for determining excessiveness invites a comparison of the punitive damages award to the civil or criminal penalties that could be imposed for similar misconduct. "Punitive damages are not compensation for injury. Instead, they are private fines levied by civil juries to punish reprehensible conduct and to deter its future occurrence." *Cooper*, slip op. at 10 (quoting *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 350 (1974)). The reviewing court must give "substantial deference" to legislative judgments concerning appropriate sanctions for the conduct at issue. *BMW*, 517 U.S. at 583 (quoting *Browning-Ferris Indus. v. Kelco Disposal, Inc.*, 492 U.S. 257, 301 (opinion concurring in part and dissenting in part).

The Florida legislature has imposed various restrictions on punitive damages awards, including a requirement that there be a reasonable relationship between the damages awarded and the actual injury suffered. Fla. Stat. § 768.74(5). In addition, there is a statutory cap on punitive damages awards (in most cases) of three times the amount of compensatory damages. Fla. Stat. § 768.73(1). Moreover, the maximum fine authorized by the Florida Legislature for a violation of the Florida Deceptive and Unfair Trade Practices is $10,000 for each unlawful act. *See* Fla. Stat. §§ 501.2075, 688.004.

Similarly, the Food, Drug and Cosmetic Act punishes violators that intentionally defraud or mislead the FDA about medical devices with imprisonment for up to 3 years and a fine of $10,000. *See* 21 U.S.C. §§ 331, 333(a)(2). Other states authorize similar sanctions. *See, e.g.*, Ala. Code § 8-19-11 (civil penalty of not more than $2,000 per violation) (2001) R.S. Mo. §§ 407.020, 407.025 (violators are guilty of a Class D misdemeanor and civil actions are allowed to recover

actual and punitive damages and attorney's fees); 815 I.L.C.S. 505/7 (allowing civil penalties in a sum not to exceed $50,000 and, in the event the court finds an intent to defraud, an additional civil penalty in a sum not to exceed $50,000 per violation my be imposed).

Not one of these statutes provide a manufacturer in Florida or anywhere else with fair notice that a single violation could subject the manufacturer to a multimillion dollar penalty, tens of thousands of times greater than the actual harm caused. Moreover, the sanction imposed in *Tronzo II* cannot be justified on the ground that it was necessary to deter future misconduct without considering whether less drastic remedies would achieve that goal. Here, there is no reason to believe that a punitive damages award bearing a closer relationship to the actual harm sustained by Dr. Tronzo would not be sufficient to prevent Biomet from engaging in the same conduct.

The Federal Circuit's misapplication of the mandate rule resulted in an unconstitutional award of punitive damages in *Tronzo II*. In so ruling, the Federal Circuit failed to adhere to the teachings of this Court, requiring that an award of punitive damages comport with constitutional due process. *Cooper*, at 12, n.9 (citing *Haslip*, 499 U.S. at 20-21). If allowed to stand, plaintiffs across the country will cite to *Tronzo II* as authority for egregiously excessive punitive awards. As noted, if this punitive damages award is left standing, likely no punitive damages award elsewhere could be found unconstitutional. It is essential, therefore, that the Court grant the petition.

CONCLUSION

For the foregoing reasons, this Court should grant the petition.

Respectfully submitted,

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No. 01-172

In the Supreme Court of the United States

BIOMET, INC., PETITIONER,

v.

DR. RAYMOND G. TRONZO, RESPONDENT.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the mandate issued by the court of appeals in a first appeal from a final judgment, which left undisturbed the punitive damages award against petitioner and remanded only on compensatory damages, precluded petitioner from subsequently challenging the punitive award on grounds that the court of appeals found petitioner could have raised in the first appeal but that petitioner had waived in the first appeal for strategic reasons.

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In the Supreme Court of the United States

No. 01-172

BIOMET, INC., PETITIONER

v.

DR. RAYMOND G. TRONZO, RESPONDENT.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

Respondent, Dr. Raymond G. Tronzo, respectfully urges the Court to deny Biomet's petition for a writ of certiorari to review the decision of the United States Court of Appeals for the Federal Circuit. The Federal Circuit's unanimous decision does not conflict with decisions of other circuits, is fully consistent with the decisions of this Court, and does not otherwise raise important constitutional or federal questions warranting this Court's review.

STATEMENT OF THE CASE

A. Introduction And Overview

The petition challenges the application of the traditional mandate rule to the particular and novel circumstances of this case. Even a brief overview of the facts demonstrates

that the court of appeals' decision was correct and does not warrant further review.

Insofar as relevant here, the jury in *Tronzo I* awarded respondent $7.1 million in compensatory damages and $20 million in punitive damages for petitioner's intentional torts of fraud and breach of a confidential relationship under state law. The record established that petitioner had "substantially profited" (Pet. App. 23a) from its wrongful conduct, earning $88 million in profits on sales of $143 million from its scheme. (TrI App. 3401, 3415, 3445).[1]

In post-trial motions for judgment or a new trial, petitioner contended that respondent was entitled only to either nominal damages or a few thousand dollars in compensatory damages. Based on that contention, petitioner argued that the punitive damages award was excessive under state law because, *inter alia*, it bore no reasonable relationship to the proper amount of compensatory damages. Petitioner raised no federal constitutional challenge to the punitive damages award. (TrII App. 1064, 1110). The district court rejected petitioner's assertions and entered a $20 million punitive damages judgment. (TrI App. 13-14).

Petitioner appealed the final judgment on the state law claims on various grounds. By its own admission and as a matter of strategy, petitioner presented no issue—on state or federal constitutional grounds—arguing that the punitive damages were excessive or requesting that the court of appeals remand punitive damages for further consideration in the event compensatory damages were vacated and remanded for recalculation. In its decision, the court of appeals vacated the award of compensatory damages and remanded for further proceedings on that issue. As the district court recognized on remand, and as the court of appeals confirmed in

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[1] "TrI App." refers to the joint appendix in the court of appeals in *Tronzo I*. "TrII App." refers to the joint appendix in the court of appeals in *Tronzo II*.

Tronzo II, the appellate mandate in *Tronzo I* reversed and remanded solely on the issue of compensatory damages and left the punitive damages award—which petitioner had not challenged or requested be remanded—undisturbed.

On remand, the district court in *Tronzo II* recognized that the mandate in *Tronzo I* did not affect the punitive damages. (Pet. App. 30a). The court then proceeded to redetermine compensatory damages and arrived at an award of $520 in patent processing costs—an amount that even the district court recognized "does not adequately reflect the actual harm caused." (Pet. App. 24a).

Because it had reduced the compensatory damages, and notwithstanding its earlier recognition that the mandate in *Tronzo I* had left untouched the $20 million award of punitive damages, the district court allowed petitioner to argue—for the first time in any court in this case—that the punitive damages were excessive under the federal Constitution, relying particularly on the ratio of the punitive damages to the greatly diminished compensatory damages. Based on that argument, the court reduced the punitive damages to $52,000 on federal constitutional grounds. Accordingly, in contrast to the judgment for respondent of $27.1 million entered by the district court in *Tronzo I*, the judgment in *Tronzo II* came to $52,520. But the district court expressly recognized that it might have been "wrong" in allowing petitioner to assert its new punitive damages argument under the *Tronzo I* mandate and that this presented "an issue of law" that "an appellate court could tell you off the bat." (TrII App. 1326).

On appeal, the Federal Circuit in *Tronzo II* upheld the district court's award of compensatory damages but reversed its drastic reduction of punitive damages on the ground that the district court could not reconsider that punitive award in *Tronzo II* under the mandate in *Tronzo I* remanding for a determination of compensatory damages. Because punitive damages had been entered and upheld by the district court in *Tronzo I* and were not challenged by petitioner in its appeal

from that final judgment, the mandate rule held that petitioner had waived the issue and could not attack the punitive damages for the first time in *Tronzo II*. Furthermore, reviewing the proceedings in *Tronzo I* and outlining the constitutional principles that would apply to the punitive damages award in this case, the court of appeals concluded that there were no exceptional circumstances here that would justify a departure from the well-settled mandate rule. Accordingly, without deciding the ultimate merits of petitioner's constitutional claim, the court of appeals reinstated the original award of punitive damages from *Tronzo I*. This ruling is unexceptionable and provides no basis for review by this Court.

B. The Parties And The Hip-Socket Device

Respondent, Dr. Raymond G. Tronzo, is an orthopedic surgeon and a pioneer in the field of orthopedic devices, including artificial hip implant systems that permit the total replacement of diseased hip joints. Petitioner, Biomet, Inc., is a manufacturer of prosthetic devices. (Pet. App. 2a; TrI App. 110, 123).

In the early 1980s, Biomet sought Dr. Tronzo's help in developing an acetabular cup, the top-most device in a hip system installed into a patient's hip socket. At that time, most acetabular cups were glued into the hip joint with bone cement. Biomet requested Dr. Tronzo to create an alternative hip system without cement. After several years of experimentation, Dr. Tronzo developed a new cup for use without cement. Dr. Tronzo also provided Biomet with his own clinical studies showing that the device worked. (Dr. Tronzo's Resp. Br. in *Tronzo I*, at 2-3, 33-36; TrII App. 1140-47).

The device, designed for use without cement, failed if installed with cement. Dr. Tronzo accordingly refused to go along with Biomet's plan illegally to gain approval to market the device by falsely stating to the Food and Drug Administration ("FDA") that the device was designed for use with

cement. In response, Biomet stole Dr. Tronzo's invention, created a knock-off, named it the Mallory-Head cup after two doctors who were willing to participate in Biomet's plan, and submitted a false application to the FDA. Based on this scheme, Biomet earned $88 million in profits on sales of $143 million.[2] (Pet. App. 23a; TrI App. 3401, 3415, 3445).

C. District Court Proceedings In *Tronzo I*

In 1991, Dr. Tronzo sued Biomet for patent infringement and for fraud, breach of a confidential relationship, and unjust enrichment under state law. Following a ten-week trial, the jury found for Dr. Tronzo on the patent claim resulting in an award of $5,707,500.[3]

In addition, the jury found for Dr. Tronzo on his tort claims. First, it found that Dr. Tronzo had a confidential relationship with Biomet, and that Biomet breached that relationship. Second, the jury found that Biomet defrauded Dr. Tronzo by offering to pay for his development (and patent) with no intention to do so. Third, the jury found that Biomet was unjustly enriched from its wrongdoing. (TrII App. 1015-25).

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[2] The evidence at trial demonstrated the following: Biomet, through its FDA application, told that agency that the Mallory-Head cup was the substantial equivalent of then-approved cemented cups in order to get prompt approval to market. Furthermore, Biomet told the FDA that the new cup *relied* on cement, which was false. Upon approval, the label on the new device called for use with cement. Biomet's chairman testified it was reasonable to estimate that half of the cups were installed properly without cement, thus indicating that the other half were installed improperly with cement. (TrI App. 2995-97, 3028, 3115, 3121, 3850, 3872, 4208, 10517-35).

[3] The court of appeals reversed the patent judgment in *Tronzo I*, and that claim is no longer involved in the case. Because of the existence of the patent claim, the appeals in this case (even on the state law claims) were within the exclusive jurisdiction of the United States Court of Appeals for the Federal Circuit. *See* 28 U.S.C. § 1295.

On the issue of punitive damages, the jury was instructed without objection that the amount of any punitive damages award should serve "as punishment [against Biomet] and as a deterrent to others" based on "malice, willfulness or callous and reckless indifference to the rights of others." (TrI App. 8029). The record showed that Biomet's wrongful conduct resulted in an ill-gotten profit to it of $88 million on sales of $143 million, and that Biomet paid Drs. Mallory and Head $5 million each to participate in its scheme. (Dr. Tronzo's Resp. Br. in *Tronzo I*, at 5; Dr. Tronzo's Resp. Br. in *Tronzo II*, at 49). As the district court thus summarized, Biomet "substantially profited" from its wrongful scheme. (Pet. App. 23a).

The jury awarded Dr. Tronzo (i) $7,134,000 in compensatory damages and $20 million in punitive damages on the fraud claim; (ii) $4,757,000 in compensatory damages and $15 million in punitive damages on the breach of a confidential relationship claim; and (iii) $4,750,000 in compensatory damages on the unjust enrichment claim. (TrII App. 1023-25.) The district court subsequently dismissed the unjust enrichment award on the ground that the other relief provided an adequate remedy at law. Reasoning that the damages for fraud and breach of a confidential relationship overlapped with each other, the court then took the larger of the remaining two awards, *i.e.*, the fraud cause of action, and entered a final judgment on that claim of $7.1 million in compensatory damages and $20 million in punitive damages, a total of $27.1 million. (TrI App. 13-14, 139).

Biomet thereafter filed separate motions for judgment or a new trial on the fraud claim and on the breach of confidential relationship claim. Both motions were based entirely on state law and raised no federal constitutional issue. In the former motion, Biomet contended that "at best the only [compensatory] damages that Dr. Tronzo could have suffered in this case would have been a few thousand dollars in patent costs," and therefore that the punitive damages were excessive because they did not bear a "reasonable relation to the amount of damages proved and the injury suffered" as re-

quired by state law.[4] (TrII App. 1064-65). Even more strongly, Biomet asserted in the latter motion that Dr. Tronzo could obtain only "nominal [compensatory] damages" and that once again the punitive damages were excessive in relation to compensatory damages under state law.[5] (TrII App. 1110-11). Thus, the very comparisons between punitive damages and the proper measure of compensatory damages that Biomet now contends were speculative and unforeseeable until the remand proceedings in *Tronzo II* in fact were contemplated and raised by Biomet in the district court in *Tronzo I*. The court rejected Biomet's post-trial motions and confirmed the final judgment of $27.1 million. (TrI App. 13-14, 166).

D. Appeal In *Tronzo I*

On appeal, the Federal Circuit affirmed Biomet's liability on the state law claims. (Pet. App. 44a). However, the court found the evidence of "Tronzo's actual injury" to be insufficient because there was no "nexus between the damages claimed and the injury incurred." (*Id.*) Thus, the court vacated the compensatory "award of lost profits . . . or a reasonable royalty as damages for the torts asserted" on the ground that they did "not properly reflect Tronzo's actual injury" (*id.* at 45a), and it remanded for the district court to determine whether there was evidence in the record "to prove any of the costs and injuries incurred by Tronzo, such as the costs of prosecuting the patent and lost business opportunities." (*Id.* at 46a). Embodying this ruling, the concluding paragraph of the court's opinion states in pertinent part: "We affirm the district court's judgment of liability under the state law claims but vacate and remand for the district court to

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[4] Under this argument, the ratio between punitive and compensatory damages would be somewhere on the order of 5000:1-10,000:1.

[5] Under this argument, assuming "nominal" damages to be $1, the punitive-to-compensatory-damage-ratio would be 15,000,000:1.

determine an appropriate award of damages in accordance with this opinion." (*Id.*)

At no point in the *Tronzo I* appeal did Biomet raise any challenge—under either state law or the U.S. Constitution—to the punitive award. Its only reference to punitive damages was the passing assertion in three footnotes that punitive damages would fall as a matter of state law if the court of appeals held either that there was no liability or that there were no compensatory damages to support a punitive award. (TrII App. 1119-20, at n.16; 2046-47, at nn. 9-10).[6]

Indeed, when Dr. Tronzo discussed the basis for the punitive damages award in his opposition brief on appeal, Biomet responded in its reply brief that "the jury's punitive damages awards were not directly challenged in Biomet's opening brief," and that the only argument Biomet directed to punitive damages was that "the punitive damages awards fall automatically once the related compensatory awards fall." (TrII App. 1119-20, at n. 16). Biomet further made clear that punitive damages had little "if any relevance to any actual issue involved in this appeal." (Biomet Reply Br. in *Tronzo I*, at 22); (TrII App. 1120) (in response to Dr. Tronzo's discussion of Biomet's willful and wanton conduct relating both to Dr. Tronzo and the FDA, Biomet stated that the discussion was a "transparent" attempt to "bias the Court and distract it

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[6] Biomet's assertions were based on its erroneous understanding of applicable Florida law. Unlike many jurisdictions, Florida allows punitive damages even if there are no compensatory (including nominal) damages. Rather, it is the defendant's misconduct establishing liability for punitive damages that supports the awarding of such damages entirely irrespective of compensatory damages. *See Ault v. Lohr*, 538 So.2d 454 (Fla. 1989). For this reason, the Eleventh Circuit, applying Florida law, has—directly contrary to Biomet's submission—affirmed an award of punitive damages while reversing compensatory damages. *See AdVantage Tel. Directory Consultants, Inc. v. GTE Directories Corp.*, 943 F.2d 1511 (11th Cir. 1991). This disagreement between the parties over this issue of state law is one of the reasons this case is inappropriate for this Court's review.

from the merits of Biomet's appeal"). Thus, Biomet expressly and vigorously acknowledged that it had raised no punitive damages issue in *Tronzo I*.

This approach reflected a deliberate strategy choice on Biomet's part. For evident reasons, Biomet did not want the court of appeals to consider the serious misconduct supporting punitive damages. Instead, it took a calculated risk that it could get the punitive damages overturned if it could obtain a reversal of state law liability on the claims for fraud and breach of a confidential relationship or if it could overturn all compensatory damages. Unfortunately for Biomet, its strategy (which misperceived Florida law) failed, and thus its decision to refrain from challenging punitive damages in *Tronzo I* left it subject to $20 million in such damages following the Federal Circuit's decision.

E. Remand Proceedings In *Tronzo II*

On remand, the district court in *Tronzo II* recognized that Biomet had not challenged the punitive damages on appeal in *Tronzo I* and that "the Federal Circuit's mandate does not disturb the punitive damages award." (Pet. App. 30a). Indeed, Biomet's counsel conceded that it "never challenged [in *Tronzo I*] either, the underpinnings of punitive damages being based on wanton and willful conduct, that is the heightened liability . . . or the amount of punitive damages." (TrII App. 1319); *see also* Biomet's Reply Mem. in Supp. of its Mot. to Reduce Punitive Damages, at 2, n.1 (emphasis added) ("Biomet has conceded all along that [it] did not challenge that Dr. Tronzo would be entitled to an affirmance of the punitive award unless Biomet prevailed on one or more of its appellate arguments *that would necessarily eliminate the punitive award*."). Thus, as the district court aptly summarized:

> You [Biomet] had a judgment from a jury and you went and took an appeal, and you apparently told the appellate court, this part of the judgment we are not contesting, there is a

> 20 million dollar judgment, we are not contesting it now. The appellate court is saying we affirm, but for those compensatory damages.

(TrII App. 1321). Against this undisputed background, the district court "reinstate[d] the award of punitive damages in the amount of twenty million dollars." (Pet. App. 30a-31a).

At the same time, pursuant to the remand order in *Tronzo I*, the district court concluded that Dr. Tronzo's out-of-pocket damages were $520 (Pet. App. 28a), and accordingly it reduced the compensatory damages from $7.1 million to $520. (*Id.* at 30a). In doing so, however, the court forthrightly acknowledged that "[i]n this case, the award of compensatory damages does not adequately reflect the actual harm caused." (*Id.* at 24a).

In light of this dramatically reduced compensatory award, Biomet then argued that the punitive damages award was constitutionally excessive under *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996), primarily because the ratio between the punitive and compensatory damages was now 38,000:1. Although the district court previously had recognized that the appellate mandate in *Tronzo I* had not affected the punitive damages and therefore the $20 million awarded in *Tronzo I* remained the proper and undisturbed amount under the mandate, it nonetheless allowed Biomet to make this argument notwithstanding the mandate rule. What is more, the court accepted Biomet's argument, concluding that the federal Constitution precluded a punitive damages award of more than $52,000 based on a compensatory award of $520. Thus, the court entered a judgment of $52,520 in *Tronzo II* on the state law claims. In so ruling, the district court admitted that its "view" that Biomet could raise this issue notwithstanding the mandate rule "may be wrong. . . . This is an issue of law. That is something that an appellate court could tell you off the bat." (TrII App. 1326). The district court also noted that "Biomet misled Dr. Tronzo and substantially profited thereby"; that Biomet "made false statements to the

FDA"; that "this conduct warrants punitive damages"; and that Biomet was a company of "substantial means." (Pet. App. 23a-24a).

F. Appeal In *Tronzo II*

On Dr. Tronzo's appeal in *Tronzo II*, a unanimous panel of the Federal Circuit affirmed the district court's reduction of compensatory damages to $520 but reversed the district court's reconsideration of the punitive damages on the ground that it was beyond the scope of the mandate in *Tronzo I*.[7] The court held that the mandate in *Tronzo I* vacated only the compensatory damages and left the punitive award intact, and therefore under the mandate rule Biomet was not automatically entitled, as it claimed, to mount a constitutional excessiveness attack for the first time in *Tronzo II*.[8]

The court of appeals found that Biomet had waived its challenge to the punitive damages by failing to appeal the punitive damages award, and was therefore barred from raising it on remand. (Pet. App. 9a). The court rejected Biomet's argument that it had "indirectly" appealed the punitive damages, in *Tronzo I*, finding that argument "not persuasive." (*Id.*).

The court of appeals emphasized that Biomet had presented no punitive damages issue in the *Tronzo I* appeal, ex-

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[7] The panel in *Tronzo II* was the same as *Tronzo I* except Judge Lourie replaced Judge Rich, who had died in the interim.

[8] Not only is that reading of the *Tronzo I* mandate clear in the context of that opinion, as the district court recognized (Pet. App. 30a-31a), but it was confirmed in *Tronzo II* by Judge Archer (Pet. App. 11a), who wrote the opinions for the court in both *Tronzo I* and *Tronzo II*. Moreover, to the extent there was an ambiguity in the *Tronzo I* mandate, Biomet failed to seek rehearing or clarification at the time. And clearly the issue of the correct interpretation of a mandate in an individual case hardly warrants this Court's review.

plaining that "[i]t is uncontroverted that Biomet never appealed, nor questioned in any way, the *amount* of the punitive damages on appeal to this Court in *Tronzo I*." (Pet App. 9a) (emphasis in original). Moreover, the court stressed that Biomet had raised an excessiveness argument under state law in the district court in *Tronzo I* based, *inter alia*, on the ratio between the punitive award and proper compensatory damages that Biomet itself had contemplated would be only nominal or at most a few thousand dollars. (This assessment, of course, proved quite close to the compensatory damages of $520 entered by the district court on remand that was the basis for Biomet's new-found constitutional argument in *Tronzo II*.) (*See id.* at 11a). The district court in *Tronzo I* had rejected Biomet's state law excessiveness argument and sustained the punitive award of $20 million, and that ruling and award were embodied in the final judgment that Biomet appealed in *Tronzo I* – without a word challenging the propriety of the punitive damages. As the Federal Circuit thus stated:

> The district court had ruled on the issue of punitive damages in its initial decision and had further responded to Biomet's challenge to the appropriateness of the amount of punitive damages. Then, while disputing various rulings of the district court on appeal, Biomet chose not to contest the amount of punitive damages.

(*Id.*) Therefore, "[b]ecause Biomet failed to raise this issue, clearly implicated in the initial decision of the district court, our mandate in *Tronzo I* acted to prevent Biomet from raising this issue on remand . . . ." (*Id.*)

The court of appeals further noted that Biomet could have raised its constitutional excessiveness argument in *Tronzo I*. To be sure, one of the *BMW* factors—the ratio between the punitive and compensatory awards—changed as

a result of the district court's reduction of compensatory damages in *Tronzo II*.[9] But as the Federal Circuit correctly recognized, the constitutional issue is not simply a function of that ratio. Furthermore, in this case, there was no change between *Tronzo I* and *Tronzo II* in such critical factors as (i) the absolute amount of the punitive award; (ii) the relationship between that award and both the reprehensibility of Biomet's misconduct and the level of fines, penalties or other punitive awards for analogous conduct (the other two *BMW* factors); and (iii) the relationship between Biomet's ill-gotten profits of $88 million and the punitive damages award of $20 million, which was designed to punish and deter Biomet's misconduct and to deprive Biomet of the fruits of its wrongdoing.

Finally, the court of appeals, *sua sponte*, recognized that the mandate rule was a prudential doctrine rather than a jurisdictional limitation and that, in the court's discretion, the rule might not be strictly applied in "exceptional" circumstances where there has been a "substantial" change in the material considerations that would render an appellant's waiver of an issue inappropriate. (Pet. App. 12a-13a). Here, however, the court of appeals concluded that no such exceptional circumstances existed. The court correctly understood (for the reasons discussed *supra*) that the waiver issue arose in this case only because Biomet could have raised the excessiveness issue in *Tronzo I* but failed to do so (and indeed deliberately chose not to do so for strategic reasons, *see* pages 8-9, *supra*). Furthermore, turning to the constitutional standards for excessiveness, the court concluded that Biomet's argument simplistically and improperly sought to give controlling weight to the single factor of the ratio between the punitive and compensatory awards and ignored the

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[9] Ironically, Biomet is now defending a punitive damages award where the ratio is 100:1 (*viz.* 52,000:520), even though defendants often challenge punitive awards with much lower ratios (including 1:1, *see* page 23, *infra*).

other, and in many ways more significant, aspects of the due process test, including in particular the relation between the punitive award and Biomet's reprehensibility and ill-gotten gains. Thus, in this case, where Biomet was represented at all times by able and experienced counsel, there were no exceptional circumstances that would relieve Biomet of the consequences of the traditional mandate rule. Accordingly, without reaching the ultimate merits of Biomet's constitutional challenge, the court reinstated the punitive damages award from *Tronzo I*. Subsequently, Biomet's petition for rehearing en banc was unanimously denied.

REASONS FOR DENYING THE PETITION

The question presented in the petition rests on the erroneous premise that the Federal Circuit's opinion categorically forecloses due process challenges to punitive damages awards following remand unless a hypothetical constitutional attack was made in an earlier appeal from a final judgment. But the court of appeals never rendered any such holding. Contrary to Biomet's restatement of the decision below, the Federal Circuit determined that the arguments Biomet belatedly sought to assert in *Tronzo II* were available to it in *Tronzo I* and were, for strategic reasons, waived. Accordingly, the question articulated in the petition is not presented in this case and thus does not merit this Court's review.

In any event, the circumstances of this case make it decidedly unusual and an inappropriate candidate for review. This is an action where, on appeal from a final judgment, Biomet deliberately opted not to challenge the imposition of a $20 million punitive damages award, by far the largest single component of the judgment. Biomet, in fact, aggressively urged the court of appeals not even to consider the egregious facts that justified the assessment of punitive damages against it. Having taken Biomet at its word, the Federal Circuit was fully justified—in *Tronzo II*—in holding Biomet to its word. No rule of law or principled view of equity suggests that this case warrants any further review.

I. THE FEDERAL CIRCUIT'S OPINION DOES NOT REQUIRE THE ASSERTION OF HYPOTHETICAL ARGUMENTS

A. The Petition For Certiorari Obscures The Issues Presented Here

Before turning to the flaws in petitioner's argument, it is important to emphasize that many of the collateral issues discussed in the petition are simply not presented in this case. Chief among the irrelevant matters is the purported constitutional excessiveness of the $20 million punitive award. As even the Defense Research Institute recognizes in its *amicus* brief (at pages 9-10), the court of appeals did not uphold the punitive damages verdict *on the merits*. To the contrary, the court concluded that, in light of Biomet's waiver, it need not reach the due process issue. (Pet. App. 12a-15a). While the Federal Circuit referenced the guideposts articulated in *BMW*, it did so only in the context of describing why there was no change in circumstances justifying an exception to the mandate rule. The court never reached the question of how it would have applied the *BMW* guideposts here had Biomet adequately presented a challenge to the punitive award. Biomet's suggestion otherwise (Pet. 25-26) is belied by the record and, indeed, by its own statement of the question presented in the petition.

In addition to not presenting a punitive damages issue, the instant action has nothing to do with patent law. Dr. Tronzo's patent claims have long been gone from this case. What remains is a *state law* cause of action, and the issue before this Court revolves exclusively around the enforcement of Biomet's waiver of defenses to that state law claim. Biomet's invocation of the Federal Circuit's nationwide jurisdiction over patent matters (Pet. 27) does not have any bearing on the question presented in the petition.

The protestations of petitioner and its *amici* notwithstanding, the decision below also is not inherently hostile to the interests of defendants. The Federal Circuit applied a

neutral rule of appellate procedure that requires all appellants to raise—or be deemed to have waived—any and all available issues on appeal from a final judgment. There is nothing unfair or discriminatory in such a rule.

B. The Decision Below Does Not Conflict With The Final Judgment Rule

In an attempt to avoid the consequences of its failure to challenge the punitive award in *Tronzo I*, Biomet insists that the reduction in the compensatory award following remand automatically afforded it a new opportunity to wage a constitutional attack on the size of the unchanged punitive damages award. Its waiver of this issue in the earlier appeal, Biomet maintains, is immaterial in the wake of the revised punitive-to-compensatory-damages ratio. (Pet. 19, 21). This argument runs directly counter to the purposes of the final judgment rule.

Appellate jurisdiction is limited by 28 U.S.C. § 1291 to "final decisions" of the district courts. This statutory requirement is designed primarily to ensure that parties "raise all claims of error in a single appeal following final judgment on the merits." *Richardson-Merrell, Inc. v. Koller*, 472 U.S. 424, 429-30 (1985) (quoting *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 374 (1981)). By virtue of this rule, courts avoid the "debilitating effect on judicial administration caused by piecemeal appellate disposition of what is, in practical consequence, but a single controversy." *Eisen v. Carlisle & Jacquelin*, 417 U.S. 156, 170 (1974).

In the case at bar, all litigated issues had been resolved following the conclusion of the trial and the resolution of post-trial motions. With respect to punitive damages, Biomet expressly argued in a Rule 50/59 motion that the punitive award was excessive as a matter of law and should be reduced. (TrII App. 1064-65). It insisted, rather presciently, that "at best the only damages that Dr. Tronzo could have suffered in this case would have been a few thousand dollars in patent costs," and thus the punitive award bore no reason-

able relation to the injury suffered or the proven compensatory damages. (*Id.*) This is not a hypothetical argument; it is the argument Biomet actually made in the district court prior to the first appeal. Accordingly, there is no valid reason why Biomet could not have raised an identical argument on constitutional grounds before the Federal Circuit in *Tronzo I*.

Nevertheless, after the district court denied its post-trial motion, Biomet, for its own strategic reasons, *affirmatively disavowed* any appellate attack on punitive damages, confining its arguments instead to compensatory damages. As noted earlier, *supra* at page 8, the only references to punitive damages in Biomet's appellate briefing were three footnotes contending (erroneously)[10] that if the compensatory award were reduced to zero, the punitive award must be similarly reduced to zero. Removing any doubt about the scope of this waiver, Biomet's counsel candidly acknowledged at a hearing on remand that Biomet "never challenged either the underpinnings of punitive damages being based on wanton and willful conduct . . . or the amount of punitive damages." (TrII App. 1319); *see also* Biomet's Reply Mem. in Supp. of its Mot. to Reduce Punitive Damages, at 2, n.1 (emphasis added) ("Biomet has conceded all along that [it] did not challenge that Dr. Tronzo would be entitled to an affirmance of the punitive award unless Biomet prevailed on one or more of its appellate arguments *that would necessarily eliminate the punitive award.*").

The fact that Biomet felt it might have a stronger constitutional argument if the compensatory damages were subsequently reduced is not a legitimate basis for forgoing a substantive due process challenge to the punitive award at the

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[10] *See* note 6, *supra*. Moreover, these footnotes were insufficient to raise an appellate issue under Rule 28 of the Federal Rules of Appellate Procedure. *See Williams v. General Elec. Capital Auto Lease*, 159 F.3d 266, 274 (7th Cir. 1998) ("The plaintiff's claim . . . which appeared in their brief in a solitary footnote is insufficiently developed on appeal and is therefore waived."), *cert. denied*, 527 U.S. 1035 (1999).

outset.[11] Indeed, if the court of appeals had simply affirmed on liability and compensatory damages or reduced the compensatory award as a matter of law (as the district court did here), there would have been no remand and no opportunity to assert any "new" defenses to the previously unchallenged punitive damages award.

Biomet's omission is particularly glaring—and this case is particularly inappropriate for the Court's review—because, under governing Florida substantive law, punitive damages are wholly independent from compensatory damages. Appellate courts applying Florida law are free to affirm punitive awards while remanding for new trials solely on compensatory damages. *See Ad-Vantage Tel. Directory Consultants, Inc. v. GTE Directories Corp.*, 943 F.2d 1511, 1520 (11th Cir. 1991); *Gimbert v. Lamb*, 601 So.2d 230, 231 (Fla. Dist. Ct. App.), *review denied*, 613 So.2d 3 (Fla. 1992); *Miami Nat'l Bank v. Nunez*, 541 So.2d 1259, 1259 n.1 (Fla. Dist. Ct. App. 1989); *Zambrano v. Devanesan*, 484 So.2d 603, 610 (Fla. Dist. Ct. App.), *review denied*, 494 So.2d 1150 (Fla. 1986).[12] In short, as the Federal Circuit held, Biomet

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[11] This Court's decision in *D.H. Overmyer Co. v. Frick Co.*, 405 U.S. 174 (1972), is instructive in this regard. There, a corporate debtor executed a cognovit note conferring authority upon its creditor to obtain a judgment against the debtor without the debtor's notice, hearing, or opportunity to assert defenses. After the creditor secured its judgment, the debtor sought to stay its execution on grounds that the note was unenforceable as violative of the Due Process Clause. In particular, the debtor claimed that the Constitution does not recognize the waiver of rights that have not yet arisen. *Id.* at 184. Rejecting this argument, the Court held that while the debtor "may not have been able to predict with accuracy just how or when [its creditor] would proceed under the [note], . . . this inability does not in itself militate against effective waiver." *Id.* at 187. *Cf. Rodriguez de Quijas v. Shearson/American Express, Inc.*, 490 U.S. 477, 480-83 (1989) (pre-dispute agreements to arbitrate are fully enforceable and can waive right to jury trial of later-arising disputes).

[12] In light of this jurisprudence, Biomet's suggestion that the "distinct and separable" doctrine of *Gasoline Products Co. v. Champlin Refining Co.*, 283 U.S. 494, 500 (1931), prohibited the Federal Circuit from remanding for a new trial only on compensatory damages after the first

(footnote continued on next page)

had available to it a ripe and concrete constitutional claim at the time of *Tronzo I*. The fortuity of a remand in this case provides no warrant for breathing new life into a claim that Biomet expressly abandoned in its earlier appeal.

Not only did Biomet fail to raise a punitive damages issue in *Tronzo I*, it never even requested the court of appeals to vacate and remand the punitive award for further consideration if the court (as it did) vacated and remanded the compensatory damages. At least that much would have apprised the Federal Circuit of the precise relief Biomet was seeking and would have allowed the court to formulate an appropriate mandate in an informed and deliberate manner. Federal Rule of Appellate Procedure 28(a)(10), which requires appellants to include in their initial brief a "short conclusion stating the precise relief sought," was adopted for this very purpose.

Biomet, in fact, made that type of request in its footnotes arguing that (in its view) punitive damages should fall if there was either no liability or no compensatory damages under state law. These results were no less "hypothetical" than the result actually obtained. But Biomet failed to take the next step of providing a further statement of what the court should order with respect to punitive damages if compensatory damages were reduced or remanded. Had Biomet argued that, in the event of a reduction in the compensatory award, the constitutionality of the punitive verdict should also be re-examined, the matter would have been joined with all other issues in *Tronzo I*, and the objectives of the final judgment rule would have been satisfied. As *amici* candidly acknowledge, the failure to take this next step could have been easily rectified here and was nothing more than an ill-

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appeal is erroneous. Nothing in *Gasoline Products* either prohibits the waiver of arguments that are not properly preserved, or raises a question about a remand for new trial only on compensatory damages where liability has been affirmed and no issue of punitive damages remains in the case.

fated "judgment call" by Biomet. *See* Amicus Br. of Chamber of Commerce, at 3 & n.3.

In the end, Biomet affirmatively and forcefully informed the Federal Circuit that it was making no challenge to the $20 million punitive damages award on appeal from the final judgment. It urged the appellate court to ignore all references to punitive damages. There is no unfairness in the Federal Circuit's ruling that Biomet cannot deliberately divert judicial gaze away from punitive damages (and, by extension, the true reprehensibility of its underlying conduct and the extent of its massive ill-gotten profits) and then, after that strategy fails—leaving it liable for $20 million in punitive damages—later pursue a new attack on the award.

Affording Biomet an opportunity to challenge the punitive award on constitutional grounds here would be particularly inequitable given its statements to the Federal Circuit. Far from creating a "trap" for the unwary (Pet. 26), the court of appeals simply took Biomet at its word. There is, accordingly, no justification for this Court to grant review of Biomet's request for a rule that would allow it to tell the appellate court that it is accepting the validity of the $20 million punitive damages award, and yet later assail that award as constitutionally suspect. Such gamesmanship should not be countenanced.

C. The Reduction Of The Compensatory Award Following The First Appeal Did Not Materially Alter The Constitutional Excessiveness Calculus

Biomet maintains that any constitutional challenge to the punitive award it might have asserted in the first appeal would have been hypothetical and devoid of merit. (Pet. 5) ("Biomet had no reasonable basis in *Tronzo I* to raise a constitutional attack on the severity of the punitive damages award."). But it contends that any change in the compensatory damages award on remand automatically resurrected its

otherwise waived constitutional claim. Biomet's argument crumbles at the touch.

What Biomet essentially proposes here is to elevate the ratio guidepost in the *BMW* constitutional excessiveness analysis to *dispositive* status. Under Biomet's theory, *any* change in the ratio on remand—no matter how *de minimis*, and notwithstanding that a defendant deliberately chose not to raise a constitutional objection to the punitive award in the earlier appeal—fundamentally alters the legal landscape and offers an appellant a renewed opportunity to mount claims that were previously waived.[13] Such a proposal would not only do serious violence to notions of finality and undermine firmly established appellate waiver principles, but it also would unnecessarily constrict the scope of the relevant *BMW* ratio inquiry.

As this Court has explained, the Due Process Clause of the Constitution requires only that the size of a punitive damages award not be grossly disproportionate to the severity of the offense.

> Punitive damages may properly be imposed to foster a State's legitimate interests in punishing unlawful conduct and deterring its repetition. . . . Only when [a punitive] award can fairly be characterized as "grossly excessive" in relation to these interests does it enter

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[13] Biomet's contention that the contingent relationship between punitive and compensatory damages is confirmed by *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*, 121 S. Ct. 1678 (2001), reflects a misreading of that case. This Court compared the two types of awards in that case simply to underscore that punitive damages do not entail factual findings by the jury and thus do not implicate the Seventh Amendment's Reexamination Clause. *Id.* at 1686. In no way did the Court suggest that challenges to the constitutional excessiveness of punitive damages awards cannot be waived by the failure to assert such a claim in the appeal of a final judgment, irrespective of whether the compensatory award is disturbed on appeal.

> the zone of arbitrariness that violates the Due Process Clause of the Fourteenth Amendment.

BMW, 517 U.S. at 568 (citations omitted). This constitutional limitation ensures that the punitive award is reasonable in amount and rational in light of its purpose "to punish what has occurred and to deter its repetition." *Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 21 (1991). The guideposts outlined in *BMW* were never intended to operate as an analytical straitjacket; they were simply designed to probe that rational relationship. *Zimmerman v. Direct Fed. Credit Union*, No. 01-1007, 2001 U.S. App. Lexis 19596, at *29-*30 (1st Cir. Sept. 4, 2001).

In situations like the case at bar, where (i) the $20 million punitive damages award represents only a fraction of the defendant's $88 million in ill-gotten profits, (ii) the district court itself concluded that the $520 compensatory award "does not adequately reflect the actual harm caused," (Pet. App. 24a), and (iii) such a compensatory award is trivially small,[14] the ratio guidepost takes on far less importance.[15] *See generally BMW*, 517 U.S. at 581-82 n.34 (excessiveness

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[14] In fact, appellate courts have affirmed punitive-to-compensatory damages ratios far larger than the 38,000:1 ratio here where only nominal compensatory awards have been imposed. *See, e.g., Klein v. Grynberg*, No. 96-1255, 1997 WL 643899 (10th Cir. Oct. 20, 1997) (150,000:1) (unpublished); *Lee v. Edwards*, 101 F.3d 805 (2d Cir. 1996) (75,000:1); *Southeastern Sec. Ins. Co. v. Hotle*, 473 S.E.2d 256 (Ga. Ct. App. 1996) (45,000:1).

[15] The punitive-to-compensatory ratio is particularly unhelpful in Florida because state law permits punitive damages to be awarded even in the complete absence of a compensatory award. *See Ault v. Lohr*, 538 So.2d 454, 455 (Fla. 1989); *Horizon Leasing v. Leefmans*, 568 So.2d 73, 75 (Fla. Dist. Ct. App. 1990). It is thus possible under Florida law to have a ratio of infinity. In light of this state law, there is no substantive difference between a small or nominal compensatory award and a compensatory award of zero. This simply underscores the marginal importance of the ratio factor where, as here, the compensatory award is relatively low despite the substantial reprehensibility of the defendant's conduct.

inquiry looks both at harm suffered by plaintiff as well as windfall secured by defendant); *TXO Prod. Corp. v. Alliance Resources Corp.*, 509 U.S. 443, 460-61 (1993) (plurality) (affirming punitive award based on defendant's sizable profits from its illegal conduct); *Haslip*, 499 U.S. at 21-22 (embracing excessiveness test that focuses in significant part on "the profitability to the defendant of the wrongful conduct and the desirability of removing that profit and of having the defendant also sustain a loss").

It is undisputed here that Biomet's predicate conduct underlying the punitive award went unchallenged in the initial appeal. It is similarly uncontested that Biomet made $88 million in profits from its fraudulent scheme. Under these circumstances, the alleged constitutional excessiveness of a $20 million punitive award was an issue fully ripe at the time of the initial appeal, and it has not been materially altered merely by virtue of the reduction in the compensatory award.

Prior decisions preclude Biomet from placing such decisive importance on the punitive-to-compensatory ratio. Indeed, the record exposes a fatal irony in Biomet's contention that the low ratio prior to *Tronzo I* rendered a constitutional excessiveness claim wholly without merit. In *Inter Medical Supplies, Ltd. v. EBI Medical Systems, Inc.*, 181 F.3d 446 (3d Cir. 1999), *cert. denied*, 528 U.S. 1076 (2000), Biomet itself—represented by the same counsel that represented it below and that continues to represent it here—mounted an appellate attack on the excessiveness of a punitive damages award that was almost identical in size to the compensatory award. Even more noteworthy, the Third Circuit ruled in its favor, slashing the punitive damages significantly. 181 F.3d at 463-70. To suggest, therefore, that any such claim would have been hypothetical, unripe, or necessarily perceived to be futile is contrary to reality and the record.[16]

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[16] In subsequently opposing a writ of certiorari from the Third Circuit's decision, Biomet emphasized that "[n]othing in *BMW* supports . . . [a] contention that a punitive damages award that bears approximately a

(footnote continued on next page)

D. The Federal Circuit's Opinion Did Not Articulate Or Apply The Automatic Waiver Rule That Biomet Attacks

Biomet implies throughout its brief that the Federal Circuit created a virtual jurisdictional waiver rule in the punitive damages context, completely foreclosing all constitutional challenges not asserted in an initial appeal from a final judgment. The court of appeals did no such thing. It specifically recognized that, in exceptional circumstances, a court may invoke its discretion to afford a party an opportunity to revisit an issue that would otherwise be deemed waived and beyond the scope of the mandate. (Pet. App. 12a). This flexibility ensures that injustices are avoided.

Seeking certiorari, Biomet takes the Federal Circuit to task for ignoring the "manifest injustice" exception to the appellate mandate rule and focusing only on the absence of a change in the evidence. (Pet. 24). But Biomet *never raised* a manifest injustice claim either in the district court on remand or in the circuit court on the second appeal. Any omission by the court of appeals, therefore, is attributable entirely to Biomet's tactical waiver of this issue.

Biomet suggests that the exception to the mandate rule should be *automatic*—not merely a matter of an appellate court's discretion—for constitutional attacks on punitive damages in the wake of reduced compensatory awards. A contrary rule, it argues, would effectively foreclose defendants from availing themselves of state law punitive caps inasmuch as these defenses frequently do not arise until after remand. (Pet. 22-23). Whatever the merits of this conten-

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one-to-one ratio to the compensatory award should, for that reason alone, be immune from constitutional challenge." *Orthofix v. EBI Med. Sys., Inc.*, No. 99-687, Respondent's Br. in Opposition, at 18 (Nov. 22, 1999). The Chamber of Commerce's *amicus* brief in the present case (page 3 n.3) also acknowledges this point, noting that "we by no means intend to suggest that the existence of a low ratio necessarily immunizes a multimillion dollar punitive award from constitutional scrutiny."

tion, no such issue is presented here because the controlling Florida law imposes no hard cap applicable to this case. *See* Fla. Stat. Ann. § 768.73(1)(b) (West 1997). In any event, as noted above, defendants in states employing hard caps must—and typically do—argue in their appellate brief that, if the compensatory award is reduced (and/or remanded), the court should reduce (and/or remand) the punitive award accordingly. There is no reasonable justification for completely omitting all discussion of the punitive award, especially where, as here, the punitive award represented by far the largest element of the final judgment.[17]

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[17] Biomet ranges far afield when it likens this dispute to a post-remand criminal sentencing in which, under prevailing jurisprudence, a trial court may consider a defendant's entire sentence anew following an appellate vacatur of the previously imposed sentence. (Pet. 16-17). The cases cited by Biomet are readily distinguishable from the instant action. The decisions all underscore that the court of appeals is free to circumscribe the district court's discretion by imposing limitations on resentencing in the mandate. *See United States v. Moored*, 38 F.3d 1419, 1422 (6th Cir. 1994); *United States v. Smith*, 930 F.2d 1450, 1456 (10th Cir.), *cert. denied*, 502 U.S. 879 (1991). There is no *automatic* exception carved out of the mandate rule, as is proposed here. Moreover, many courts treat criminal sentences that have been reversed and remanded for resentencing as if the original sentence had never been meted out. *See United States v. Cornelius*, 968 F.2d 703, 705 (8th Cir. 1992); *Smith*, 930 F.2d at 1456. This approach is logical given that criminal sentences are imposed as a package, with components of incarceration, probation, and restitution all combining to satisfy societal objectives of punishment and deterrence. In any event, the present case surely is an inappropriate vehicle to consider the appellate rules applicable in criminal cases.

II. THE FEDERAL CIRCUIT'S OPINION IS CONSISTENT WITH DECISIONS OF THIS COURT AND OTHER FEDERAL APPELLATE COURTS

The decision below creates no conflict for this Court to address. There is no merit to Biomet's contention that the Federal Circuit's ruling—in the unusual circumstances of this case—that Biomet's strategic litigation decision in *Tronzo I* waived any subsequent challenge to the constitutional excessiveness of a punitive damages award contravenes this Court's holding in *Sprague v. Ticonic National Bank*, 307 U.S. 161 (1939), and creates a split among the federal courts of appeals. (Pet. 13-18).

In *Sprague*, the facts of which are described in the petition, the "equitable costs" sought by the plaintiff clearly were "not directly in issue in the original proceedings." 307 U.S. at 168. The mandate there did not address such costs, let alone foreclose their pursuit. Unlike the case at bar, the plaintiff *could not* have asserted such a request in the original suit because her entitlement to equitable costs, which were entirely "collateral" to the underlying issues in the suit, was dependent on the outcome of the appellate process. *Id.* at 168-69. Here, of course, not only *could* Biomet challenge the excessiveness of the punitive damages award, but it *did so* in the district court prior to the first appeal (albeit only on state law grounds). After actually making an argument that the district court rejected, Biomet waived all challenges to the excessiveness of punitive damages when it expressly advised the Federal Circuit on appeal from the final judgment that punitive damages lacked "relevance to any actual issue involved in this appeal." *See* page 8, *supra.* Nothing in *Sprague*—or any other decision of this Court—suggests that

a party in these circumstances has an automatic right to assert arguments it has expressly waived and abandoned.[18]

As for the purported division among federal appellate courts on this issue, it is entirely illusory. None of the decisions relied on in the petition involved the application of the appellate mandate rule to foreclose an attack on a punitive damages award where such a challenge was affirmatively waived in an earlier appeal. At most, these cases demonstrate that there is often a relationship between compensatory and punitive damages. Not only does that unremarkable proposition have no bearing on the mandate rule, but, in contrast to many jurisdictions, it is not required by Florida law applicable in this particular case.

In *Burke v. Deere & Co.*, 6 F.3d 497 (8th Cir. 1993), after the plaintiff recovered substantial compensatory and punitive damages, the defendant appealed the underlying liability findings, the court's decision to submit a punitive damages issue to the jury, and the amount of the jury's punitive award. The Eighth Circuit vacated the jury's compensatory and punitive awards, remanded for a new trial, *and ordered the dismissal of the punitive damages claim.* The reversal of the compensatory award was predicated on various evidentiary and instructional errors, while the vacatur of the punitive verdict rested on the complete paucity of evidence supporting *any* punitive damages. *Id.* at 512 n.26. Thus, the ensuing trial on remand was limited to compensatory damages.

Burke had nothing to do with the appellate mandate issue presented in this case The only language in that opinion that could be argued to be even marginally relevant here is the majority's rejection, *in dictum*, of a proposal by the dissent that the compensatory award be preserved and a new trial be granted on punitive damages alone. *See id.* at 513 ("[E]ven if we agreed that the evidence support[ed] submis-

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[18] The Federal Circuit plainly was aware of *Sprague* and cited it in its *Tronzo II* opinion. (Pet. App. 9a n. 1)

sion of the case on the question of punitive damages, which we do not, a retrial to a new jury on that issue alone would be improper because the issues underlying compensatory and punitive awards are inextricably intertwined.").[19] The majority's analysis clearly was focused not on mandate or waiver rules, but simply on the severability of compensatory and punitive damages in a new trial under *Gasoline Products*, 283 U.S. at 500. The instant case, by contrast, simply presents no *Gasoline Products* issue where the remand was limited to compensatory damages after liability was affirmed and the punitive damages excessiveness issue waived. The Eighth Circuit in *Burke* never implied, let alone held, that a challenge to the size of a punitive damages award must remain available to a litigant who deliberately opted not to raise the issue in an earlier appeal.

Nor is a split evidenced by *Mason v. Texaco, Inc.*, 948 F.2d 1546 (10th Cir. 1991), *cert. denied*, 504 U.S. 910 (1992). There, a jury at the initial trial awarded the plaintiff a sizable amount of compensatory damages, but rejected her claim for punitive damages. While the defendant appealed the judgment, the plaintiff did not cross-appeal the denial of her motion for new trial on punitive damages. The Tenth Circuit later reversed the judgment and "remanded for a new trial." 948 F.2d at 1549. The defendant argued on remand that the plaintiff was barred from seeking punitive damages in the second trial by virtue of her failure to appeal the denial of punitive damages. The district court rejected this argument, and the jury in the second trial returned a substantial punitive award in favor of plaintiff. In upholding this latter verdict, the Tenth Circuit held that its earlier reversal was accompanied by a "general remand" in which "the entire question of [the defendant's] liability was at issue" in the

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[19] The Eighth Circuit relied substantially on Iowa law in holding that punitive damages were tied inextricably to compensatory damages. *Burke*, 6 F.3d at 513. As noted earlier, that principle is not the law in Florida.

new trial. *Id.* at 1552. The appellate court also deemed it "most significant" that the defendant, in the initial appeal, "challenged *any* liability on its part." *Id.* (emphasis added). Here, by contrast, the Federal Circuit did not disturb Biomet's liability on the state law claims. The discussion in *Mason*, therefore, of the legal effect of reopening liability on a punitive award is simply not relevant here.

The Fifth Circuit's decision in *Hardin v. Caterpillar, Inc.*, 227 F.3d 268 (5th Cir. 2000), is even less helpful to Biomet. The plaintiff there appealed from the district court's refusal to submit a punitive damages issue to the jury. She sought a new trial only on punitive damages and insisted that the compensatory verdict for emotional injury, which the defendant unsuccessfully challenged on appeal, be preserved. The Fifth Circuit rejected this proposal, explaining that an "award[] for emotional injury was not a sum of calculable costs" and holding that for emotional injury cases, punitive damages are intertwined with actual damages. *Id.* at 272. The court expressly reached that conclusion "without deciding that [compensatory and punitive damages] are inseparable as a matter of law across all cases; and we do not suggest that punitive damages may not walk alone in other contexts." *Id.* at 272-73 (citing case where court remanded solely for a new trial on punitive damages). The court's rejection of a punitive-damages-only retrial on the particular record in that emotional injury case is irrelevant to this case where Biomet previously waived any challenge to punitive damages. Because the Fifth Circuit never addressed matters relating to waiver or appellate mandates, its opinion is entirely inapposite to the instant action.[20]

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[20] Biomet's reliance on *Brown v. Kinney Shoe Corp.*, 237 F.3d 556 (5th Cir.) *petition for cert. filed*, 69 U.S.L.W. 3750 (U.S. May 21, 2001) (No. 00-1740), is misplaced for the same reasons. There, the Fifth Circuit reversed the trial judge's denial of defendant's motion for judgment as a matter of law on one of plaintiff's two claims, and remanded the case for a new trial. Although the defendant had specifically appealed the punitive award (in addition to the compensatory award), the appellate court

(footnote continued on next page)

CONCLUSION

The petition for a writ of certiorari should be denied.

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declined to address the issue of punitive damages, reasoning that "[a] new determination of the compensatory injuries that flow from the [surviving] claim may fundamentally affect a jury's determination of emotional and punitive damages." 237 F.3d at 567.

(7)

No. 01-172

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IN THE

Supreme Court of the United States

BIOMET, INC.,

Petitioner,

v.

DR. RAYMOND G. TRONZO,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF

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REPLY BRIEF

This case presents the critical federal question of whether a defendant must raise a hypothetical constitutional challenge to a punitive damages award—based on an unknown set of facts that might exist after a remand—or be foreclosed by the mandate rule from challenging the award once the facts become concrete. This is what the Federal Circuit held in denying petitioner Biomet, Inc. ("Biomet") the right to challenge the constitutionality of a $20 million punitive damages award that was 38,000 times the $520 in compensatory damages awarded on remand. The new rule created by the Federal Circuit conflicts with the decisions of this Court and other courts of appeals; violates established principles regarding appellate mandates; forces appellate lawyers to devote scarce brief space to hypothetical arguments that courts of appeals cannot resolve; and undermines the important and constitutionally necessary function of judicial review of punitive damages awards mandated by this Court's decisions in *Cooper Industries, Inc.* v. *Leatherman Tool Group, Inc.*, 121 S. Ct. 1678 (2001), and *Honda Motor Co.* v. *Oberg*, 512 U.S. 415 (1994). Pet. 11-27; DRI Br. 3-9; Past Presidents Br. 4-15; Chamber of Commerce Br. 1-5.

Respondent Tronzo's brief in opposition is replete with distortions of the facts, the law, the proceedings below, and petitioner's argument in an attempt to muddy the issue presented by this petition.[1] Tronzo presents no reasons for

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[1] Particularly outrageous is Tronzo's argument—irrelevant to the question presented and intended only to mislead the Court about the claims at issue here—that the $20 million in punitive damages was a proper punishment for a claimed conspiracy between Biomet and Drs. Mallory and Head to defraud the Food & Drug Administration that allegedly yielded $88 million in "ill-gotten" profits and put patients at risk. Opp. 4-6, 23. The punitive damages were predicated on two economic torts where the *only* evidence of harm was Tronzo's $520 patent prosecution costs. The fraud claim was that Biomet fraudulently induced Tronzo to secure a patent by stating in a November 1986 letter that if a

denying certiorari. Contrary to respondent's claims, Biomet could not and did not waive any constitutional challenge to the final judgment on remand. Respondent fails to distinguish the precedent of this Court and various courts of appeal with which the decision below conflicts. The state law arguments proffered are spurious. Immediate resolution of this question is especially critical given that the Federal Circuit's illogical mandate rule will now govern district courts throughout the country that resolve pendent state law claims in patent cases.

1. Respondent argues that the Federal Circuit did not state a categorical rule foreclosing due process challenges absent a hypothetical claim on the first appeal, and seeks to recast the decision below as merely a fact-bound ruling based on Biomet's tactical waivers. Opp. 14. But this argument is unavailing because, under the precedents of this Court, Biomet neither did waive nor *could have waived* its right to

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patent would protect both the Mallory-Head cup and his cup, "we would be interested in working out an arrangement with you." Tr.I A10546. The breach of confidential relationship claim was that Biomet failed to divulge certain facts to Tronzo and disclosed certain proprietary information provided by Tronzo to Mallory and Head. Tr.I App. 144-52. Tronzo's claimed confidential ideas were not the subject of the alleged false statements to the FDA, and (because his own cup was obvious from the prior art and very different from the Mallory-Head cup) they had no economic value, which is why Tronzo was awarded no compensatory damages on remand other than patent prosecution costs.

Tronzo's renewed attempt to link these torts to Biomet's $88 million in profits (which, incidentally, relate to the entire Mallory-Head hip replacement system, not just the cup) is contrary to the Federal Circuit's repeated holding that "he cannot establish the necessary nexus between his tort injuries and Biomet's profits from sales of the Mallory/Head device." Pet. App. 6a. Finally, the district court ruled that there was absolutely no evidence that Biomet's conduct ever put any patient at risk. *Id.* at 22a. The state law claims on which punitive damages were awarded were insubstantial, *cf.* Tr.II App. 2087 (district judge's statement that "[he] would have ruled for Biomet had [he] been the trier of fact"), and were premised on evidence of only trivial economic harm.

raise a constitutional challenge based on a judgment that had not yet been finally rendered.

A lower court on remand "cannot reconsider questions that the mandate has *laid at rest*." *FCC* v. *Pottsville Broad. Co.*, 309 U.S. 134, 140 (1940) (emphasis added). "While a mandate is controlling as to matters within its compass, on the remand a lower court is free as to other issues." *Sprague* v. *Ticonic Nat'l Bank*, 307 U.S. 161, 168 (1939); *Ex parte Union Steamboat Co.*, 178 U.S. 317, 319 (1900) (the "inferior court is justified in considering and deciding any question left open by the mandate and opinion of this court"). All matters not expressly decided on appeal are open unless their "disposition . . . by the mandate . . . was *necessarily* implied" in the claims brought and judgment rendered. *Sprague*, 307 U.S. at 168 (emphasis added). Only "[w]hatever was before the Court, and is disposed of, is considered as finally settled." *Sibbald* v. *United States*, 37 U.S. 488, 492 (1838).

Contingent constitutional claims that depend on future proceedings simply cannot be "necessarily" decided by implication in the prior appellate judgment, and thus they cannot be waived. This is the express rule of *Sprague*, which held that the mandate rule did not preclude the determination of equitable costs because such costs "are contingent upon the exigencies of equitable litigation, the final disposition of which in its entire process including appeal places such a claim in much better perspective than it would have at an earlier stage." 307 U.S. at 168. Such claims are thus not "implied[ly] waiv[ed]" if not raised in the first appeal. *Id.* Respondent attempts to distinguish the holding in *Sprague* on the ground that equitable costs are collateral, but that distinction is illusory. As the plaintiff in *Sprague* could not have asserted her claim for equitable costs until future proceedings were decided, so too could petitioner here not

raise an attack on the constitutionality of the judgment until damages were finally resolved on remand.[2]

The Federal Circuit could not have determined in *Tronzo I* whether the $20 million punitive award was grossly excessive in relation to a compensatory award that had not yet been rendered. The issue of whether a $20 million award was grossly excessive for the torts of fraud and breach of confidential relationship resulting in $520 damages was not "before the Court, and . . . disposed of" in *Tronzo I*, and thus was not "finally settled" by that decision. *Sibbald*, 37 U.S. at 492. The categorical rule established by the Federal Circuit that collapses contingent issues that depend on future proceedings into its initial appellate mandate conflicts with this Court's precedent, as well as decisions of the courts of appeals that are faithful to *Sprague*.[3]

Respondent stresses that Biomet could have raised a *BMW* challenge in *Tronzo I*. Opp. 17. That is true, no matter the weakness of the claim. Indeed, there is no minimum ratio or other condition precedent for a constitutional attack under the multifactor "grossly excessive" test of *BMW*, and such a claim can always be raised to attack *any* punitive damages award. But the only *BMW* claim that Biomet could have raised (and that the Federal Circuit could have decided) in

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[2] Respondent's reliance, Opp. 18 n.11, on cases involving "contract waiver" in which a party surrenders future litigation rights (*D.H. Overmeyer Co.* v. *Frick Co.*, 405 U.S. 174, 187 (1972); *Rodriguez de Quijas* v. *Shearson/American Express, Inc.*, 490 U.S. 477, 480-83 (1989)) demonstrates the lack of support for his opposition to this petition. The issue here is not whether Biomet could have bargained away its right to raise a *BMW* challenge, but whether a contingent and unripe challenge was decided by necessary implication in the *Tronzo I* judgment.

[3] *See, e.g.*, *Biggins* v. *Hazen Paper Co.*, 111 F.3d 205, 209 (1st Cir. 1997) ("mandates require respect for what the higher court decided, not for what it did not decide"); *Caldwell* v. *Puget Sound Elec. Apprenticeship & Training Trust*, 824 F.2d 765, 767 (9th Cir. 1987) (relief "need only be consistent with the mandate, not specifically mentioned in the opinion").

Tronzo I was that a $20 million punitive damages award was excessive in relation to a finding of liability for the torts of fraud and breach of confidential relationship resulting in $7.1 million in damages, a ratio of 2.8 to 1. Biomet has never disputed that it abandoned that claim in *Tronzo I*.[4]

Biomet's decision not to raise a *BMW* claim in challenging the *original* judgment entered by the district court did not preclude it from raising the distinct constitutional claim that the punitive award was unconstitutional in relation to the *amended* judgment on remand. The *BMW* "grossly excessive" standard is inherently relative: the constitutionality of an award is determined in relation to (1) the reprehensibility of conduct; (2) the ratio of punishment to harm; and (3) legislative sanctions for comparable misconduct. *BMW of N. Am., Inc.* v. *Gore*, 517 U.S. 559, 574-75 (1996). A punitive damages award may be constitutional in relation to the original judgment, but become unconstitutional and grossly excessive on remand if any of the three predicate *BMW* factors is altered—if, for example, certain alternative bases of liability were overturned (which would affect the reprehensibility and comparable-sanction factors), or if compensatory damages were lowered, as here (which would affect the ratio and comparable-sanction factors). It is a new constitutional claim that arises on remand, which by definition could not have been "finally settled" in the original appeal.[5]

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[4] Because Biomet has never contended that it was *legally* precluded from raising a *BMW* challenge when the ratio was 2.8 to 1, there is no basis for respondent's charge, Opp. 23, that Biomet has taken a position inconsistent with its defense of a judgment of the Third Circuit (on very different facts) that a punitive award with a 1-to-1 ratio was grossly excessive. *See Inter Med. Supplies, Ltd.* v. *EBI Med. Sys., Inc.*, 181 F.3d 446, 467-68 (3d Cir. 1999), *cert. denied*, 528 U.S. 1076 (2000).

[5] Respondent wrongly claims that Biomet's argument "elevates the ratio guidepost in the *BMW* constitutional excessiveness analysis to *dispositive* status." Opp. 21. Although it was the ratio that was dramatically altered in this case, vacatur as to liability or damages that

Indeed, the logic of respondent's position underscores the error of the decision below and the importance of this Court's review. Under the decision below, because a *BMW* challenge *can* always be raised against a punitive damages award (no matter how meritless), it *must* be raised in the first appeal in order to avoid waiver. If this Court lets the decision below stand, then every defendant in every Federal Circuit appeal involving a punitive damages award will necessarily have to include even baseless *BMW* claims solely to preserve its rights on remand. This Court should not countenance such a wasteful rule, which is entirely contrary to the rationalization of the law of punitive damages that appellate review is intended to accomplish. See *Cooper*, 121 S. Ct. at 1685.

3. The Federal Circuit held that Biomet could have raised a hypothetical challenge to the punitive damages in light of its estimate of the compensatory damages that might be awarded on remand: "Applying [the *BMW*] guideposts, . . . Biomet could have asserted that, *if* the compensatory damages award is lowered, constitutional requirements mandate that the punitive award be commensurately adjusted." Pet. App. 12a (emphasis added). Respondent oddly claims that the Federal Circuit's decision did not require Biomet to make hypothetical arguments. Opp. 17. But it did, creating a new rule: the defendant must "[a]pply[] [the *BMW*] guideposts" to a compensatory damages award that does not exist, but by hypothesis *may be* entered on remand.[6]

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alters any *BMW* factor can give rise to a new constitutional claim of gross excessiveness based on the interrelationship of all three guideposts.

[6] Respondent misleads the Court in claiming that Biomet "actually made" an argument in the district court "identical" to the one it should have made in *Tronzo I* when Biomet asserted in its motion for a new trial all the evidence showed in compensatory damages was "a few thousand dollars in patent costs." Opp. 16-17. The quoted passage is from Biomet's argument that the punitive award was exorbitant for the claimed conduct and that the *entire* damages verdict on the fraud count (compensatory and punitive) was against the weight of the evidence and reflected jury passion and prejudice; Biomet made no hypothetical

As demonstrated by petitioner and *amici*, this unprecedented requirement violates the Article III and prudential rules against deciding hypothetical constitutional challenges, wreaks havoc in appellate briefing, and may invite further unjustified claims of waiver if the hypotheses the defendant spins out do not anticipate the ultimate result on remand. Pet. 20-21; DRI Br. 4-8; Past Presidents Br. 12-15. Respondent does not and cannot answer the substantive arguments raised by *amici*.

More fundamentally, a hypothetical claim of this kind cannot be said to be "laid at rest," *Pottsville Broadcasting*, 309 U.S. at 140, or "finally settled," *Sibbald*, 37 U.S. at 492, on the initial appeal, and thus cannot be foreclosed by the appellate mandate. The reason is that the court of appeals could not have decided the claim even if it had been raised. The Federal Circuit in *Tronzo I* instructed the district court on remand either to determine the amount of compensatory damages sustainable on the current record or, in its discretion, "to take new evidence in this regard," which would have required impaneling a new jury. Pet. App. 46a; Pet. 13. If Biomet had made the required hypothetical *BMW* challenge, the *Tronzo I* court would have had no way of anticipating whether the ultimate compensatory award would be $100, $1 million, $10 million, or any other amount. It simply could not have rendered a decision on whether the $20 million punitive damages would be constitutional in relation to those damages and the conduct that caused them.

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argument that the punitive award on the fraud claim should have been reduced in relation to a projected reduction of the compensatory award. Similarly, there was nothing hypothetical in the argument Biomet made with respect to the separate punitive damages initially awarded on the confidential-relationship claim. Respondent's assertions notwithstanding, Opp. 6-7, Biomet's argument was that the 3.16 to 1 ratio between that award ($15 million) and the compensatory award that existed *at that time* ($4.75 million) was unlawful under state law (*i.e.*, Biomet did not compare the punitive award with what the compensatory award should have been).

In its failed effort to portray the decision below as fact-bound, respondent spills much ink on what Biomet did say, did not say, or could have said. See Opp. 8, 19. Respondent's argument is irrelevant because it is premised on the legal error that a litigant must specifically preserve a claim in order for "it to be joined with all the other issues" on remand. Opp. 19. To the contrary, the rule established by this Court is that on remand the "inferior court is justified in considering and deciding any question left open by the mandate and opinion of this court." *Ex parte Union Steamboat Co.*, 178 U.S. at 319. Even though Biomet did, in fact, put the Federal Circuit on notice that the punitive award should be vacated if the compensatory award was vacated, see Pet. 6, Biomet would not have forfeited any claim even if it had said nothing at all about the punitive award.[7]

4. Respondent attempts to cloud the issue by introducing state law arguments that are both irrelevant and wrong. They are irrelevant for two reasons. First, under *Erie R.R.* v. *Tompkins*, 304 U.S. 64 (1938), the procedural question of whether a federal jury's awards of punitive and compensatory awards are "distinct and separable" when a judgment is vacated and remanded is governed by federal law. See *Gasperini* v. *Center for Humanities, Inc.*, 518 U.S. 415, 431-32 (1996). Second, and more fundamentally, even if *arguendo* state law controlled that question and Florida alone

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[7] Not only is respondent's argument irrelevant, but his analysis of why Biomet's statements are inadequate is inconsistent with *Tronzo II* itself. Respondent claims that all Biomet had to do was (in the text of the brief, not in the footnotes) "provid[e] a further statement of what the court should order with respect to punitive damages if compensatory damages were reduced or remanded," namely, that "the constitutionality of the punitive verdict should be re-examined." Opp. 19. The Federal Circuit, however, required a full-blown constitutional analysis "[a]pplying" the *BMW* guideposts to the hypothesized value of compensatory damages on remand. Pet. App. 12a. Moreover, the statements that respondent proposes would have served no purpose because the *Tronzo I* court still could not have resolved the claim.

among the 50 states had a categorical rule that punitive damages were "wholly independent" of compensatory damages, Opp. 18, it would not affect this Court's review. Defendants have a federal constitutional right to *de novo* judicial review of whether a punitive damages award is excessive in relation to, *inter alia*, the compensatory damages awarded. *Cooper*, 121 S. Ct. at 1684-86. State law cannot operate to deprive a defendant of a federal right that could not have been asserted earlier. See *Howlett* v. *Rose*, 496 U.S. 356, 369-72 (1990). Thus, even if a punitive award would survive the reduction of the related compensatory award under Florida law and would be final for all other purposes, that would not prevent the defendant from challenging the punitive award on constitutional grounds under *BMW*.

Regardless, respondent misstates Florida law. The long-standing general rule in Florida, as elsewhere, is that reversal of even part of the compensatory award results in reversal of the corresponding punitive award. *Chillemi* v. *Rorabeck*, 629 So. 2d 206, 210 (Fla. Dist. Ct. App. 1993) (citing cases); *Adler* v. *Seligman of Fla., Inc.*, 438 So. 2d 1063, 1067 (Fla. Dist. Ct. App. 1983). Moreover, for any cause of action arising after July 1, 1986 (such as the fraud claim in this case), Florida by statute requires the trial court to determine whether the "amount" of damages awarded (punitive and compensatory) "bears a reasonable relation to the amount of damages proved and the injury suffered," Fla. Stat. §§ 768.71(2), 768.74(5)(d), and after 1987 generally caps punitive damages at three times compensatory damages. *Id.* § 768.73.[8]

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[8] The principal case upon which respondent relies is *Ault* v. *Lohr*, 538 So. 2d 454 (Fla. 1989), which revised a prior decision, *Lassiter* v. *International Union of Operating Engineers*, 349 So. 2d 622 (Fla. 1976), on which the other cases cited by respondent are based. *Ault*, however, has no bearing here. First, in *Ault*, no aspect of any compensatory award was reversed; rather, the court upheld an award of punitive damages where the jury had awarded no compensatory damages. *Ault*, 538 So. 2d

At the end of the day, this Court should not countenance the Federal Circuit's creation of an unwarranted and unworkable procedural rule that conflicts with this Court's precedents and will destroy orderly appellate judicial review of punitive damage awards. Petitioner was denied its due process right to have a court determine whether a $20 million punitive damages is grossly excessive for torts that caused $520 in harm, and respondent unjustly walked away with a massive judgment secured by the improper legal theory of compensatory damages he argued to the jury. The need for order in the appellate briefing and review of punitive damages award, and the critical importance of restoring a rational appellate mandate rule in cases within the Federal Circuit's exclusive national jurisdiction, require this Court's immediate review of the question presented.

CONCLUSION

This Court should grant the petition.

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at 455; *cf. Olmstead* v. *Miller*, 383 N.W.2d 817, 822-23 (N.D. 1986) (ruling, in a state that follows the same rule as *Ault*, that error affecting compensatory damages also requires retrial on punitive damages because "better practice and procedure require that the right to and assessment of both should be simultaneously considered by the same jury"). Second, *Ault* only applies to actions where damages are not an element of the torts (like assault and battery), not where damages are an element of the torts (like fraud and breach of confidential relationship). *Ault*, 538 So. 2d at 457 (Ehrlich, C.J., concurring); *National Aircraft Servs., Inc.* v. *Aeroserv Int'l, Inc.*, 544 So. 2d 1063, 1065 (Fla. Dist. Ct. App. 1989). Indeed, the Florida Supreme Court has held that punitive damages cannot be awarded in fraud cases without proof of compensatory damages. *First Interstate Dev. Corp.* v. *Ablanedo*, 511 So. 2d 536, 539 (Fla. 1987); *R.D.M.H., Inc.* v. *Dempsey*, 618 So. 2d 794, 795 (Fla. Dist. Ct. App. 1993).

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